AGRICULTURAL ADJUSTMENT

A REPORT OF ADMINISTRATION OF THE
AGRICULTURAL ADJUSTMENT ACT
MAY 1933 TO FEBRUARY 1934

UNITED STATES
DEPARTMENT OF AGRICULTURE

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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

Hon. Henry A. Wallace,

Secretary of Agriculture.

Dear Mr. Secretary: Herewith is transmitted "Agricultural Adjustment", a report of the first nine months of the effort to adapt American agriculture to changed conditions, in compliance with the mandate of Congress contained in the Agricultural Adjustment Act.

Respectfully,

C. C. Davis.

Administrator, Agricultural Adjustment Act.

February 15, 1934.

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FOREWORD

The many inquiries that have come to the Agricultural Adjustment Administration from Members of Congress and the general public indicate a deep interest in the plight of agriculture and the steps taken toward relief. This report is intended to give full information in answer to those inquiries. It supplements the outline of general policies contained in Secretary Wallace's annual report with a complete and detailed description of what has been done toward effectuation of these policies and the purposes of the Agricultural Adjustment Act.

The adjustment program moves forward rapidly. This report originally was planned to cover the period from the passage of the act on May 12, 1933, to December 1, 1933. Even during its preparation, however, important progress has been made. Therefore, so far as possible, factual material relating to the period between December 1 and February 15, 1934, has been added.

During the greater part of the period covered by the report, George N. Peek was Administrator, and the report is to be considered as largely an account of accomplishments under his supervision. It was while he was Administrator that the groundwork of the program was laid, and the organization for carrying it out was built up.

In the short time the act has been in operation, a partial measure of economic recovery has been brought to American agriculture. Total farm income from crops in 1933, including rental and benefit payments, is estimated to have been $3,271,000,000, as compared with $2,113,000,000 in 1932, an increase of nearly 55 percent. Part of this recovery was undoubtedly due to the adjustment program, just getting under way. With livestock and livestock products, the production of which for market covers a longer period, it is not possible to make adjustments so rapidly. It should be added that the full results of a number of important projects launched in 1933 have not yet been felt. It is expected they will become increasingly evident during 1934.

The Administrator wishes to acknowledge the assistance of Department economists and others in providing source material for this report. Experts and economists of the Bureau of Agricultural Economics, of other bureaus of the Department, and commodity sections of the Agricultural Adjustment Administration contributed much time and effort in its preparation.

C. C. Davis

Administrator, Agricultural Adjustment Act.

AGRICULTURAL ADJUSTMENT

CHAPTER 1

OBJECTIVES AND MECHANISMS

In applying the Agricultural Adjustment Act to the farm commodities produced in the United States, a variety of programs has been formulated. These are described in detail in the pages of this report which follow. To understand the commodity programs, however, it is important to know why the act was passed, the objectives outlined in it, and the several mechanisms it authorizes to be used

I. WHY THE ACT WAS PASSED

The economic situation leading up to passage of the act had resulted in severe disparity between prices of farm products and other products. Even at the crest of the business cycle in 1929, farm products could be exchanged for only 91 percent as much of other products, on the average, as they could have been exchanged for in the period before the war. During the depression, the disparity was greatly increased. By February, 1933, the exchange value of farm products for industrial goods had fallen to 50 percent of the pre-war average. Their exchange value for taxes and credit was even less.

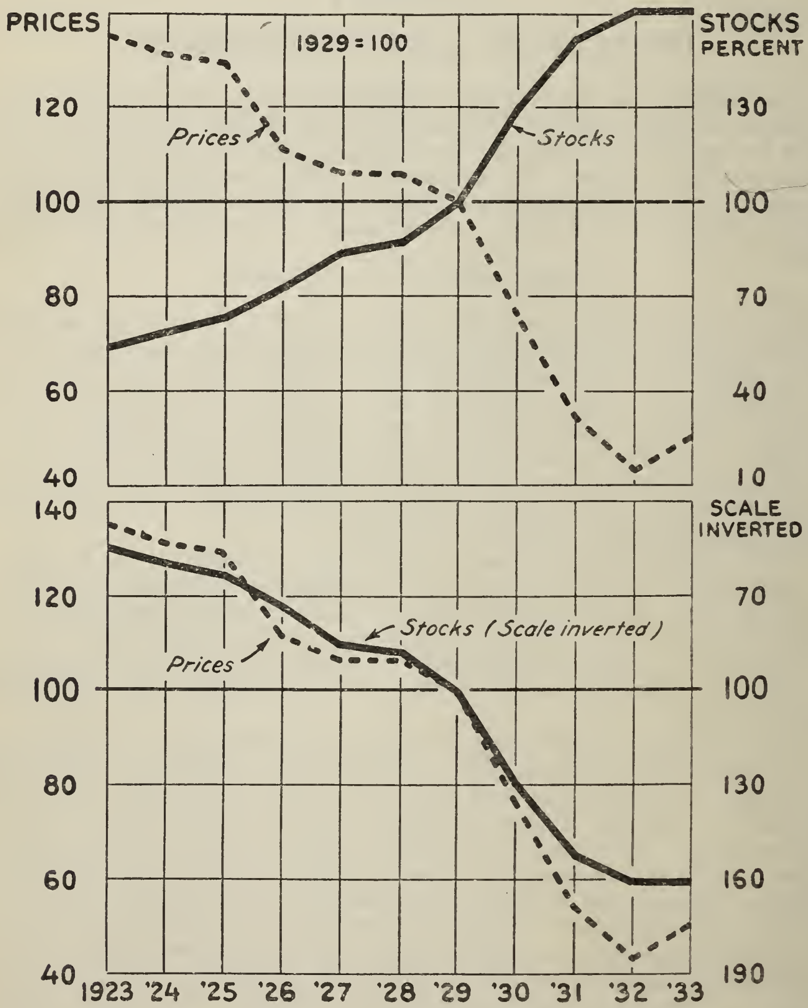
The disparity was present in the price of every farm product. It was most severe in the export commodities, such as cotton, wheat, tobacco, and rice, where the disappearance or severe contraction of export demand had built up great excess stocks of the commodities. It was also marked in hogs and hog products, the reduced export outlets for which had forced increased quantities into domestic consumption.

The immediate cause of this disparity was the pressure of surpluses of farm products on the markets. But what is a surplus? The term "surplus" is used loosely and there are various conceptions as to its definition. Plainly, a mere seasonal surplus differs from an exportable surplus. For example, the United States always has cotton for export, whether the crop is large or small. This is an exportable surplus, whereas the extra amount produced in favorable crop years is a seasonal surplus. Considered from another point of view, a surplus is a quantity so abundant as to depress prices below a figure which will adequately reward the producer, whether or not it is below normal, or whether or not any portion is exported. A surplus always means a surplus at some particular price. At a lower price, the surplus is absorbed and so disappears. Sometimes this disappearance is brought about by the use of the goods in question for a lower, less remunerative purpose than usual. For instance, when a superabundant wheat crop is produced, an appreciable amount is fed to livestock.

THE PARADOX OF THE SURPLUS

Many persons have wondered why the Government should be concerned with eliminating or preventing surpluses of farm products when there are people who must stand in line for doles of food or turn to public support for adequate clothing. To some extent it is true that

Chart 1.—World Stocks and Prices—Nine Foodstuffs and Raw Materials



the problem of disposing of agricultural surpluses is tied closely with the problem of consumer purchasing power, and the prices of some farm products are directly dependent on payrolls. But, paradoxically enough, the very existence of the surpluses of farm products has been one of the causes of the lack of consumer purchasing power.

The pressure of abnormal supplies on the market tends to upset the delicate balance of price and income relationships. When too much cotton and wheat and pork are forced into trade channels, prices received by farmers dwindle to levels so low that they themselves cannot buy the goods which city workers manufacture. The result is that factories close down and employees are thrown out of work. They in turn are unable to buy the products of other city workers, who also lose their jobs. Additional factors tending to slow up business activity enter in, and the whole vicious cycle of deflation, with unemployment, falling prices, bank failures, bankruptcies, hunger, and suffering, results. Millions of people, unable to support themselves, are compelled to depend on public support. The Nation's economic machine, gorged with an excess of farm and other products, breaks down just as surely as a human stomach gets acute indigestion if too much food is forced into it.

Something like the foregoing is what has happened in the last few years. For a variety of reasons—among them the closing of a large portion of foreign markets—the balance between supply and demand of farm products was upset. The production of certain commodities was far above the capacity of the consuming public, including the millions of people dependent upon direct relief, to absorb for ordinary purposes.

MORE WHEAT THAN PEOPLE COULD EAT

Take the case of wheat. If every person in the United States had all the wheat he could possibly eat, there would still have been a surplus as long as production continued at the same rate as in the last few years. With no one to buy this surplus and with foreign markets sharply limited, the supplies of wheat piled up in elevators and storehouses, and the carryover attained huge and unprecedented totals. Prices fell to the lowest levels in history. Consumers, who could or would eat only a certain amount of wheat, were but slightly helped by this surplus, in the form of lower prices for bread. Millers and bakers obtained their wheat at a much lower figure than before, but since flour is only a minor part of the cost of bread, the retail price was little affected. Over against this small temporary benefit felt by consumers was the serious injury done to them ultimately through the maladjustment of the whole price structure and the eventual breakdown of the whole system of exchange.

And when prosperity returns, the amount of wheat which people eat will be no greater and may even be less than it has been during the depression. This is because, when people's purchasing power increases, they eat more of other food products which fall in the luxury class.

Thus it will be seen that the surpluses of farm products, in a very real sense, have actually contributed to the length of the bread lines. It is because of the series of maladjustments brought about by the surplus of farm products that the Government has undertaken to control their production, bringing supplies into line with demand at a price which will afford the farmers a return commensurate with their income during the 5 pre-war years.

II. PURPOSES SET FORTH IN THE ACT

The Agricultural Adjustment Administration was created under authority of "An act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes", approved by the President on May 12, 1933.

Title I of this act is known as the Agricultural Adjustment Act. It directs and empowers the Secretary of Agriculture to take certain measures to increase agricultural purchasing power as an essential step toward promoting general revival, by raising farm prices, and it authorizes him to appoint such officers and employees, subject to the provisions of the Classification Act of 1923 and acts amendatory thereof, and such experts as are necessary to execute the functions vested in him by this title.

PRE-WAR PERIOD IS BASE

The Congress of the United States declared in section 2 of the Agricultural Adjustment Act that its policy is to establish and maintain such balance between the production and consumption of agricultural commodities and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco is the pre-war period, August 1909 to July 1914. In the case of tobacco the base period is the post-war period, August 1919 to July 1929. This variation from the base period established for other commodities is due to the fact that tobacco-consuming habits of the entire world have changed since the war, and the pre-war conditions of production and demand no longer accurately represent the present condition of the tobacco industry.

Reestablishment of prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period, does not necessarily imply prices of farm products in dollars the same as they were before the war; but it means that farmers selling the same volume of farm goods would be able to buy, with their returns, the same volume of manufactured goods that they were able to buy in the period 1909–14.

The evident purpose of the act is to promote the prosperity of the farmer by returning to him a fair share of the national income and to foster national recovery by making the farmer as good a customer for nonagricultural industries and services as he was before the World War.

GRADUAL CORRECTION OF INEQUALITIES

The act states that it is the policy of Congress to approach equality of purchasing power for the farmer by gradual correction of the present inequalities at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

It was self-evident that no power could fix and maintain prices at parity in the case of many important agricultural commodities whose carryover stocks were several times normal, until the surpluses had

been reduced or eliminated. Furthermore, suddenly pushing the price of certain commodities, which have been long depressed, to parity before making adequate provision for control of production, would bring in new production from less profitable fields and result in burdensome surpluses which would make it difficult or impossible to maintain the desired level of prices and would thus defeat the purpose of the act.

It was also recognized that a precipitous scaling-up of prices would in some instances disrupt consumer-producer relations and actually reduce consumption to an extent that would do more harm than good to agricultural producers. A reasonable relationship must be maintained between prices and effective demand. Raising prices too rapidly would, in the case of some commodities, outdistance the purchasing power of consumers and impede national recovery.

CONSUMERS ARE PROTECTED

The fixing of a pre-war parity standard is a definite protection to consumers against exorbitant or starvation prices, but the act provides another specific protection.

It is also declared the policy of Congress to protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the pre-war period, August 1909 to July 1914.

Thus the mandate of consumer protection contained in the act is second only to that of assistance to producers.

III. POWERS UNDER THE ACT

Roughly, the principal powers granted by Congress to effectuate the purposes of the act fall into two groups—those dealing with production control and benefit contracts and those dealing with marketing agreements and licenses.

PRODUCTION CONTROL AND BENEFIT CONTRACTS

Powers in the first group enable the Agricultural Adjustment Administration to take measures to balance production of farm goods with effective demand for them, and thus to bring about increased farm income and farm purchasing power with a sound economic base resting upon the laws of supply and demand. Authority granted for this purpose recognizes the existence of overproduction and of a burdensome surplus of many farm products; it recognizes the necessity of reducing this oversupply and refraining from further overproduction that maintains and adds to it if the farmer is to receive his fair share of the national income. This group of powers enables the United States Government to assist farmers in making an adjustment in their production which it is impossible for them to make unaided and acting as individuals.

The act authorizes the use of several methods, separately or in combination, to make this adjustment. It provides a method of giving financial assistance through benefit payments to farmers who, voluntarily and not otherwise, cooperate with the Government in making the necessary adjustment. Therefore, it offers an incentive for cooperation and none for not cooperating.

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SEVEN BASIC COMMODITIES

Under the act, benefit payments may be made to the producers of seven "basic agricultural commodities." These are wheat, cotton, corn, hogs, rice, tobacco, and milk and its products. They are listed as basic for several reasons. One is that changes in their price strongly influence changes in the prices of other agricultural commodities. Another is that the United States produces an exportable surplus of nearly all of them. Export demand and world price of each had fallen sharply before the act was passed, and these commodities were generally in a relatively worse economic situation than others that are produced and consumed on a domestic basis. A third reason is that each of these commodities is put through some manufacturing process before it is ready for human consumption and their production and distribution can be more easily regulated in these processing channels than could the production and distribution of commodities not so processed.

So far as the benefit contract program is concerned, farmers who do not sign benefit contracts are wholly at liberty to produce any commodity in any volume they choose, but as they have not joined in the program of adjustment to a sounder economic basis, they must meet economic and marketing problems without direct governmental assistance.

MARKETING AGREEMENTS AND LICENSES

The second group of powers contained in the act is also directed toward giving the producer of agricultural commodities more nearly his fair share of the national income. These powers are conferred by the marketing agreement section of the act and relate to trade practices among processors and distributors of farm products. They make the Government both an arbiter and a partner in agreements among associations of producers, processors, and distributors of farm goods. Like the benefit contracts, these powers are designed to assist in restoring parity prices to farmers while protecting the consumer from unfair increases in his costs.

Section 8 (2) of the Agricultural Adjustment Act authorizes the Secretary of Agriculture "to enter into marketing agreements with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, after due notice and opportunity for hearing to interested parties."

Powers under the marketing agreement section are not limited to the seven basic commodities as in the case of production control powers but may be applied to all agricultural produce. Furthermore, agreements may extend from the producer to the consumer and may touch every point in the chain of distribution.

Because of the latitude allowed by the act, it is possible to vary the agreements so as to meet the special circumstances in the several industries with which such agreements have been made.

OBJECT IS TO HELP FARMERS

The theory of the agreements is that they should not only bring about a better price for the producer, but should assist the industry in increasing its efficiency in processing and marketing so that better prices to the farmer can be obtained at relatively little additional cost to the consumer.

The law provides that any practice which is permitted by a marketing agreement shall not be held to be in violation of any of the antitrust laws of the United States. Thus, such agreements may regulate trade practices, production quotas, prices, supply areas, and relationships among various branches of trade. They are designed to prevent destructive competition and to assure fair treatment for producers, distributors, and consumers of farm products or goods made from farm products.

The Secretary is empowered to grant licenses to processors and distributors and others handling agricultural products or competing commodities and to fix the terms of the licenses. The license power has frequently been used to make effective the terms of a marketing agreement. Failure to conform to such licenses leads to revocation or suspension of the license and doing business thereafter without a license is a violation of the law and subject to a suitable penalty.

The powers conferred by the Agricultural Adjustment Act, then, are directed toward economically balanced production of agricultural commodities on the one hand, looking toward a fairer share of the national income for farmers, and, on the other hand, a system of distributing farm products that will be economically sound.

IV. FINANCING THE ADJUSTMENT PROGRAM

The Agricultural Adjustment Act made provision for processing taxes, the proceeds of which are available for rental and benefit payments, expansion of markets, removal of surplus agricultural products, administrative expenses, and refunds on taxes. Section 9 (*a*) of the act provides for the levying of a processing tax on commodities with respect to which rental or benefit payments are to be made. Such a tax is levied upon the first domestic processing of the commodity, and is collected by the Bureau of Internal Revenue.

NORMAL PROCESSING TAX RATE FIXED BY LAW

The normal rate of the processing tax is by law fixed at the difference between the current average farm price and the fair exchange value of the commodity. However, it was foreseen that in some cases if the manufacturer had to pay all of the difference he might be obliged to raise the price of the articles he sold to the consumer to a point where the consumer would no longer buy his product in the same quantity that he had been buying it previously. If this happened, a surplus of the product would accumulate on the shelves, and the price of the article and the price the processor paid to the producer would be depressed. Consequently, it is provided that, if the Secretary has reason to believe that the tax at the full rate will cause such reduction in the quantity of the commodity or products thereof domestically consumed as to result in the accumulation of surplus stocks and the depression of the farm price of the commodity, he shall cause an appropriate investigation to be made and afford due notice and opportunity for hearing to interested parties; and thereafter fix the tax at a lower rate if the facts indicate the full rate would be so high as to cause such difficulties.

The rates of processing taxes are in all cases fixed by the Secretary of Agriculture in accordance with the formulas prescribed by Congress in the act, and any given tax is in effect during the "marketing year"

specified in his proclamation. The Secretary may change the rate of tax during the marketing year if the parity price advances, or if after a public hearing it is shown that such a change is advisable. Under the law no public hearing is necessary prior to fixing the rate of the processing tax unless the Secretary has reason to believe that the full amount of the tax cannot be levied without depressing the farm price or causing an accumulation of surpluses.

COMPENSATING TAXES

Provision also is made by the Agricultural Adjustment Act for what are known as compensating taxes.

If it is found that the payment of the processing tax upon any basic commodity is causing or will cause to the processors thereof disadvantages in competition from competing commodities by reason of excessive shifts in consumption between such commodities, a compensating tax is levied upon the first domestic processing of the competing commodities at such rate as is necessary to prevent such disadvantages in competition.

Another form of compensating tax is upon articles imported into the United States, which are processed or manufactured wholly or in chief value from a commodity on which a processing tax is in effect. Such compensating taxes upon imported articles are designed to maintain the previously existing competitive relation as between the domestic and imported article.

There is a further provision in the Agricultural Adjustment Act for levying a tax on floor stocks of articles processed wholly or in chief value from a commodity on which a processing tax is levied. This tax is equivalent to the amount of the processing tax which would be payable with respect to the commodity from which processed if the processing had occurred on the date the processing tax became effective. Thus, no advantage accrues from laying in a large stock in anticipation of the processing tax.

OTHER SOURCES OF REVENUE

Two other sources of revenue have been made available for administering the provisions of the Agricultural Adjustment Act. An appropriation of $100,000,000 was made by Congress in the Agricultural Adjustment Act for administrative expenses, rentals, and benefit payments, and purchase of surpluses. An additional $100,000,000 was appropriated by act of June 16, 1933 (Public, No. 67) under authority of the so-called "Bankhead Amendment to the National Industrial Recovery Act", which was made available for expenditures in carrying out the Agricultural Adjustment Act and the purposes of the Farm Credit Administration.

Chapter 19 of this report shows the amounts which have become available for the purposes of the Agricultural Adjustment Administration under the several provisions outlined above, as well as expenditures. Appendix C gives an analysis of the use of the Bankhead amendment fund.

In addition to ordinary receipts and expenditures, the law authorized the borrowing of funds for the acquisition of cotton. A description of the transactions under the provision is given in this report in connection with the cotton program.

V. FUNCTIONS OF THE PROCESSING TAX

From the foregoing explanation of the operation of the Agricultural Adjustment Act, it will be seen that as far as basic commodities are concerned, the processing tax is the heart of the law. The processing tax is a means of raising revenue for accomplishing one or both of two things intended to help farmers attain parity prices and purchasing power.

VOLUNTARY ADJUSTMENT OF PRODUCTION

The first is the adjustment of production by the farmers on a voluntary basis. With funds from the processing tax, benefit payments may be made by the Government to producers who cooperate in programs of adjustment. In this way they receive a greater return than the noncooperators, who may have more of the product to sell but who do not receive any benefit payments.

Stated in another way, the processing tax and benefit payment plan is a method by which the centralizing power of the Government is brought to the assistance of the farmers. Experience of cooperative associations and other groups has shown that without such Government support, the efforts of the farmers to band together to control the amount of their product sent to market are nearly always brought to nothing. Almost always, under such circumstances, there has been a noncooperating minority, which, refusing to go along with the rest, has stayed on the outside and tried to benefit from the sacrifices the majority has made. Inevitably, in this situation, those who cooperated found that the noncooperators, sharing in the gains and paying none of the costs, were taking advantage of them. Naturally, the cooperators became discontented and began to break away themselves. Soon the entire plan broke down.

This was one of the experiences of the Federal Farm Board. No individual farmer had any assurance that, if he followed the Farm Board's advice and cut his acreage, the mass of his fellow producers would do the same. Each producer knew that if producers generally should voluntarily reduce, he would be free to increase his plantings and get the price benefit on his own larger crop resulting from the general reduction. Like every other attempt to control production by educational activities and without effective organization of producers, the Farm Board's efforts fell short of substantial success.

It is to keep this noncooperating minority in line, or at least prevent it from doing harm to the majority, that the power of the Government has been marshaled behind the adjustment programs. The Government, by affording cooperating farmers a definite tangible advantage over noncooperating minorities, is merely helping the farmers to do what closely knit industrial organizations have long been able to do for themselves. With this power over volume of production, the farmers, like the highly organized industrial groups, now have a chance to avoid burdening the markets with amounts of their product which cannot be sold except at ruinously low prices. By keeping production in line with effective demand, the farmers receive substantially higher prices and increased gross income. Producing a smaller volume means decreased costs of production, and thus their net income is increased even more.

DIRECT CONTRIBUTION TO INCOME

The second way in which the processing tax and benefit plan helps farmers is in making a direct contribution to their income. The processing tax, in the nature of things, must be paid ultimately by the consumers, the middlemen, or the producers, or perhaps by all three. Experience does not yet show conclusively what portion of the tax is paid by each of these groups. Insofar as the tax is paid by the middlemen and consumers, however, it represents a net increase in the return of the producers, since in most cases the whole amount, minus administrative cost, is paid back to the producers in the form of benefit payments. Thus, cooperating farmers' income, instead of being limited to what they receive for the things they sell, is substantially augmented by the benefit payments, funds for which are derived from the processing taxes. Under this plan, farmers should not look solely to price, but should think in terms of total income.

By establishing the parity principle for agriculture, Congress, in the Agricultural Adjustment Act, recognized a fundamental concept of the national recovery program, which is that those large economic groups performing essential functions for society must have a fair share in the national income. The benefit payments may be considered a form of compensation by the rest of society to farmers for their service in supplying food and raw materials.

A CONTINUING SOURCE OF REVENUE

Both of these functions of the benefit payment system are made possible by the processing tax, which is a continuing source of revenue and is not dependent upon lump-sum appropriations made from time to time by Congress. So far as possible, the receipts from processing taxes on any given commodity are used for benefit payments to the producers of that particular commodity.

In some cases, for some periods, it is true, the price received by farmers appears to be reduced, in whole or in part, by the amount of the processing tax. But a little reflection will show that even if it is, the farmers—or at least those who cooperate in adjustment programs—still are, in the long run, assisted by it. Revenue from the tax comes back to the cooperating farmers in the form of benefit payments; and they are enabled to bring about adjustments in production which eventually increase their returns.

Thus, the processing tax, instead of being a means by which the Government takes away part of the farmers' income, is really a means by which the Government helps to increase their income. If the farmers fully understand the tax, they will realize that it is an instrument which operates on their behalf and protects and augments their cooperative efforts.

VI. TRANSFER OF POWERS FROM N.R.A.

Under an Executive order issued June 26, 1933, which since has been amended, the work of the Agricultural Adjustment Administration was coordinated with that of the National Recovery Administration insofar as codes of fair competition for foods and foodstuffs were concerned. Provisions of these codes relating to wages, hours, or conditions of labor remained under the National Recovery Administration.

The Executive order of June 26, 1933, was amended by an Executive order issued January 8, 1934, which transferred to the National

Recovery Administration most of the codes of fair competition originally placed under the jurisdiction of the Secretary of Agriculture. Under the terms of the new Executive order, the Secretary of Agriculture now has jurisdiction, except for labor provisions, over codes from the following: (1) Commodity exchanges; (2) industries, trades, and subdivisions thereof engaged principally in the handling, processing, or storing of (*a*) milk and its products, but excepting packaged, pasteurized, blended, and/or processed cheese, (*b*) oleomargarine and vegetable oils, but excepting soybean oil, (*c*) cotton and cottonseed and their products, including ginning, cottonseed crushing, and cottonseed-oil refining (excluding the manufacture of textiles and processing and handling subsequent thereto); (3) industries, trades, and subdivisions thereof engaged principally in the handling, processing, or storing up to the point of first processing and the subsequent sale and disposition by such processors of (*a*) livestock and its products, (*b*) wheat, corn, rice, and other grains, but excepting cereals, pancake flours, self-rising flours, cake flours, and like products sold in grocery store sizes, and grocery store products of corn, (*c*) sugar and its by-products, (*d*) anticholera hog serum and virus, (*e*) naval stores, (*f*) tobacco and its products; (4) fresh fruits and vegetables and poultry and poultry products up to and including handling in wholesale markets and the subsequent sale and disposition by such handlers in wholesale markets.

The Executive order of January 8 specified that the codes of fair competition under the National Recovery Administration for industries engaged in the processing, handling, or storing of agricultural commodities up to and including first processing, should not without the consent of the Secretary of Agriculture include provisions relating to prices, brokerage fees, commission rates, credit and financial agreements with producers, purchasing arrangements with agricultural producers, marketing quotas, or the allocation of plant capacity. These matters were to be covered in marketing agreements under the Agricultural Adjustment Administration rather than in the codes of fair competition under the National Recovery Administration.

MARKETING AGREEMENTS AND CODES HARMONIZED

While the marketing agreements and codes of fair competition which have been put into effect and are under consideration by the Agricultural Adjustment Administration differ materially in many cases from each other, an attempt has been made to pursue as consistent and uniform a policy as is practicable.

As provided for in both acts, public hearings are held on proposed agreements or codes, at which time all interested parties are given a full opportunity to place into the record any and all arguments, testimony, and factual data supporting or purporting to oppose any part or the whole of the agreement or code. On the basis of the testimony, in addition to further studies made by experts, a marketing agreement or a code, in conformity with such testimony and the facts in the case, is developed and recommended to the Secretary of Agriculture. Marketing agreements are placed in effect after being approved by the Secretary, but codes of fair competition must be signed by the President.

Copies of the Agricultural Adjustment Act, as amended, and of the several Executive orders bearing upon work of the Agricultural Adjustment Administration are given in appendix J and appendix K.

CHAPTER 2

ORGANIZATION

The work of Congress in framing the Agricultural Adjustment Act was the first step toward the attainment of a national policy for agriculture. The second step was the creation of an organization to carry out the mandate of Congress.

In accordance with the terms of the act, the Secretary of Agriculture proceeded to establish the Agricultural Adjustment Administration and to appoint the necessary officials, experts, and employees to perform the functions vested in him.

The Administration, as provided in the act, was established as a part of the Department of Agriculture, and its activities were closely coordinated with those of the rest of the Department. It has drawn upon the experience, the technical knowledge, the accumulated statistical data, and the informational, organizing, and educational facilities of the other units of the Department. Much of the work of the Administration has been done by personnel transferred from the other units. In some cases the other units have cooperated by taking charge of work delegated to them.

In the months following upon passage of the act, pressure for launching programs for the various commodities was so great that large-scale plans had to be worked out and placed in motion by Administration units which existed only in skeleton form or were being hastily established.

SEVERAL DIVISIONS CREATED

The first appointment was that of an Administrator responsible for directing all of the activities of the Agricultural Adjustment Administration. The Administrator was assisted by a Coadministrator and a suitable staff which included a General Counsel, a Comptroller, an Administrative Officer, and a Consumers' Counsel charged with the exercise of the powers included in the act to prevent unfair pyramiding of processing taxes and undue increases of costs to consumers of farm products. Each of these officers organized a staff of assistants and specialists assigned to various phases of the work delegated to him. Four divisions were established within the Administration.

Since the first problem attacked was that of adjusting production, the Production Division, charged with originating and putting into effect programs for enabling and assisting farmers to adjust their production to effective demand, was the first division organized, with a Director of Production at its head. A Finance Division, headed by a Finance Director, was established to conduct the financial operations involved in the programs of the Administration. A Division of Information and Publicity headed by a Director of Information was set up to disseminate information through every available channel to the farmers, consumers, and the general public on proposals

and operations of the Government under the Adjustment Act, and to help secure public support for the vast cooperative programs of adjustment called for by the act.

To exercise the functions delegated to the Secretary under section 8, subsections 2 and 3, regarding marketing agreements and licenses for processors and handlers of agricultural commodities, the Processing and Marketing Division was set up. Within the Production Division and the Processing and Marketing Division there were established sections for handling the problems of different commodities or of various functions in the respective fields of the two divisions.

COMMODITY PROBLEMS HANDLED BY SECTIONS

In the Production Division there were established a Wheat Section, a Cotton Section, a Corn-Hog Section, a Replacement Crops Section, a Cattle and Sheep Section, and a Contract Records Section, each with a section chief. In the Processing and Marketing Division there were the Grain Section, the Cotton Section, the Meat Processing and Marketing Section, the Code Control Section, the Foreign Trade Section, the Beverage Section, the Licensing and Enforcement Section, and after the Executive order of June 26, 1933 (delegating to the Secretary of Agriculture partial jurisdiction over codes under the National Industrial Recovery Act for certain food products other than agricultural goods), the Food Products Section and the Fisheries Section.

For certain commodities and functions there were established sections which performed activities relating to both production problems and processing and marketing problems. These sections were responsible to the directors of both the Production Division and the Processing and Marketing Division in matters relating to the functions of the respective divisions. Such sections were the Dairy Section, the Tobacco Section, the Rice Section, the Sugar Section, the Special Crops Section, and the Special Commodities Section. These sections were organized as the need for them arose.

The Special Commodities Section was created for the purpose of coordinating the plans of the Adjustment Administration with the activities of the Federal Emergency Relief Administration in purchasing surplus agricultural commodities and in distributing them among the needy unemployed. This activity had the double purpose of relieving want and of removing from the market burdensome and price-depressing surpluses of farm goods, placing them in the hands of persons who were in the need of them but who would not have been consumers except through surplus farm goods.

Initial exploration and experience in the task of effectuating the Congressional policy for benefiting agriculture led, at the end of December 1933, to a reorganization of the Agricultural Adjustment Administration. This reorganization involved simplification of the set-up and a shift in emphasis on means employed to increase farm income. It provided a mechanism for putting greater stress upon the fundamental adjustment of production to effective demand. It provided for the direction of emergency measures toward a definitely and scientifically planned scheme for the agriculture of the Nation as a whole, contrasted with an unplanned, wasteful, and unprofitable agriculture suffering from the evil effects of unlicensed competitive forces whose most severe consequences have fallen upon the farmers.

CODES RETURNED TO N.R.A.

Return of a large number of codes to the National Recovery Administration from the Agricultural Adjustment Administration, to which they had been transferred by an earlier Executive order, made possible a reorganization into a more compact form, with consequent economy in personnel and effort.

In the course of the reorganization, the Production Division and the Processing and Marketing Divisions were merged into a new division. This is called the Commodities Division. Its function is to deal with problems of both production and distribution. Several mergers of commodity sections were involved in the combination of the two divisions into one, which is headed by an Assistant Administrator, with two assistants.

Sections in the Commodity Division as now constituted include the Wheat Production Section, Grain Processing and Marketing Section, Corn-Hog Section, Meat Processing and Marketing Section, Cotton Production Section, Cotton Processing and Marketing Section, Dairy Section, Tobacco Section, Rice and Sugar Section (merged), General Crops Section, Cattle and Sheep Section, Field Investigation Section, and Contract Records Section.

The accounting and auditing personnel of the Licensing and Enforcement Section was transferred to the Office of the Comptroller, subject to assignment to the Field Investigation Section as needed, and the field offices of the section were discontinued. The Special Commodities Section was transferred to the Office of the Comptroller. In all, eight sections were eliminated. The Beverage Section, Foreign Trade Section, Import Section, Code Analysis Section, and Code Control Section were discontinued, as were the Fisheries Section and the Food Products Section. Transfer of jurisdiction over certain codes to the National Recovery Administration by Executive order of January 8, 1934, removed the necessity for some of these sections. Establishment of the Federal Alcohol Control Administration ended the need for the Beverage Section.

PLANNING DIVISION CREATED

Two divisions in the organization are, like the Commodities Division, headed by Assistant Administrators. These are the new Program Planning Division and the Division of Information. The task of the Program Planning Division is to relate all programs and activities under the Agricultural Adjustment Act to a general attack on the whole front of the agricultural situation, to correlate the programs for all commodities and to shape the entire program into a coherent whole which will constitute an advance through emergency measures to an established and lasting agricultural industry to the ultimate benefit of the whole nation. The Replacement Crops Section of the Production Division has been assigned to this new Program Planning Division.

Upon this division falls the task of help in coordinating all economic work of the Department so as to aid in unifying the progress of all branches of American agriculture. The purpose is to enable agriculture to move forward as a whole and to prevent lagging on the part of any branch which would lessen the force of an attack on the agricultural problem. The temporary adjustment measures are to be planned so as to develop elements on which may be built a perma-

nent agricultural program. The Program Planning Division will assemble the pertinent results of research relating to marketing and international trade in other branches of the Government. Such information will be afforded to farmers, farm organizations and to the general public through available avenues of distribution, and will be used as a basis for developing subsequent programs under the Agricultural Adjustment Act.

INFORMATION EFFORTS UNIFIED

The Division of Information has undergone some changes in function and in internal organization. The important work of the Consumers' Counsel now becomes a part of the Information Division activities. Some units formerly under other jurisdiction which are established to deal with correspondence, records, and printing are transferred to the Information Division. The Division contains a Press Section established to aid newspapers and radio stations and other agencies engaged in the dissemination of information to acquaint farmers and the public with the Administration's operations and objectives. Stimulated by a public interest and appetite for information which apparently are keener than ever before, the press and radio have afforded the most alert and intelligent avenues for disseminating public information.

The Finance Division will continue its work of handling the finances of all the Administration's broad program for the benefit of agriculture. It is anticipated that a tax expert will be engaged to study taxation features of adjustment plans.

The offices and functions of the general counsel and comptroller remain as they were originally established. Some of the duties of the old Licensing and Enforcement Section have been taken over by the new License Enforcement and Revocation Section in the Office of the General Counsel. The Office of the Administrative Officer has been discontinued, and some of its functions were taken over by the Office of Business Management headed by an assistant to the Administrator. Other functions were placed in other divisions. The purpose of the reorganization was to establish a compact organization to deal more economically, directly, and effectively with major problems of American agriculture. The reorganization affords two assistants to the Administrator and an adviser to the Administrator to assist him on problems of special interest to the South.

The total number of employees in the Administration is about 3,700. Of these, approximately 2,700 are in the so-called "factory", engaged in examining and checking records of contracts from farmers, auditing and approving contracts for payment, and writing and mailing the checks to the farmers.

This personnel of 2,700 is distributed approximately as follows:

Disbursing section	200
Comptroller's section	800
Contract records section	1, 700

The "factory" employment roll fluctuates considerably, as the task of check writing and contract auditing varies between maximum and minimum loads. The personnel of the commodity and service sections numbers about 1,000.

COUNTY AGENTS ARE THE "SHOCK TROOPS"

The new organization is built around functions and the best men available have been engaged by the Administration for the performance of these functions. Many of the executives and much of the personnel originally utilized remains in the reorganized Administration. The maximum salary of executives in the Administration is $10,000 annually subject to the 15 percent reduction. The Administration works closely not only with the units of the Department of Agriculture in Washington, but also with the Extension Service. This Service with its county agents in all parts of the country has been invaluable. For a time danger existed that the Extension Service might be destroyed or crippled when State after State confronted the necessity for economy in its expenditures; but when the big programs were prepared by the Adjustment Administration, it was immediately seen that a far-flung field service to work with the decentralized county associations of producers, was essential to securing the necessary farmer cooperation and support, and could be most useful and effective. The Extension Service took up the task and instead of decreased usefulness it has been of increasing effectiveness, making possible already the success of the cotton, wheat, and tobacco programs. The 2,200 county agents constituted the "shock troops" out on the firing line in these campaigns. It was through them that the Administration made its direct contacts with the farmers, getting the work of setting up county production control associations under way. If they had fallen down on the job, the whole effort would have been imperiled. But fortunately the few cases in which county agents failed to take the program seriously were in districts of light production. The success attained is evidence of effort put forth by the county agents, and their spirit and ability. It is expected that the Extension Service will become more and more important in the long-time program being worked out by the Agricultural Adjustment Administration.

The personnel of the Adjustment Administration as a whole has worked for the past 9 months without stint and without regard to hours or ordinary limitations upon human effort in the intensive task of getting the emergency programs under way and in planning for the future.

A list including some members of the administrative personnel, directors of divisions, and chiefs of commodity sections who have represented the Administration in dealing with farm groups and the public is given in table 1.

TABLE 1. *Administrative personnel as of February 1, 1934*

Henry A. Wallace, Secretary of Agriculture.
Rexford G. Tugwell, Assistant Secretary of Agriculture.
Chester C. Davis, Administrator, Agricultural Adjustment Act.
Victor Christgau, Assistant Administrator and Director of the Commodities Division.
- D. P. Trent, Assistant Director, Commodities Division.
- Jesse W. Tapp, Assistant Director, Commodities Division, and Chief, General Crops Section.
- George E. Farrell, Chief, Wheat Production Section.
- Frank A. Theis, Chief, Wheat Processing and Marketing Section.
- A. G. Black, Chief, Corn-Hog Section.
- Guy C. Shepard, Chief, Meat Processing and Marketing Section.
- J. B. Hutson, Chief, Tobacco Section.
- Cully A. Cobb, Chief, Cotton Section.
- Lawrence Myers, Acting Chief, Cotton Processing and Marketing Section.
- J. H. Mason, Acting Chief, Dairy Section.
- A. J. S. Weaver, Chief, Sugar and Rice Section.
- Harry Petrie, Chief, Cattle and Sheep Section.
- W. B. Jenkins, Chief, Contract Records Section.
- George R. Wicker, Chief, Field Investigation Section.

H. R. Tolley, Assistant Administrator and Director of the Program Planning Division.
- Joseph F. Cox, Chief, Replacement Crops Section.

Alfred D. Stedman, Assistant Administrator and Director of the Division of Information.
- Vernon E. Bundy, Assistant Director, Division of Information.
- Frederic C. Howe, Consumer's Counsel.
- Thomas C. Blaisdell, Assistant Consumer's Counsel.
- Paul A. Porter, Chief, Press Section.

Jerome N. Frank, General Counsel and Director of the Legal Division.
- Lee Pressman, Assistant to General Counsel.
- Alger Hiss, Assistant to General Counsel.
- J. P. Wenchel, Assistant to General Counsel.
- Prew Savoy, Chief, Tax Section.

John B. Payne, Comptroller.
Ward M. Buckles, Director of the Finance Division.
Oscar Johnston, Manager of the Cotton Pool.
T. Weed Harvey, Special Assistant to the Administrator, in Charge of Business Management.
H. P. Seidemann, Special Assistant to the Administrator, in Charge of Coordination Office.
Mordecai Ezekiel, Economic Adviser to the Secretary of Agriculture.
Louis H. Bean, Economic Adviser, Agricultural Adjustment Administration.

Several men not now connected with the organization played an important part in the program during the early months. Among these were George N. Peek, formerly Administrator; Charles J. Brand, formerly Coadministrator; Gen. William I. Westervelt, formerly Director of Processing and Marketing; D. S. Murph, formerly Chief of the Cotton Processing and Marketing Section; Clyde L. King, formerly Chief of the Dairy Section; and M. L. Wilson, formerly Chief of the Wheat Production Section.

CHAPTER 3

COTTON

SALIENT FACTS ABOUT THE COTTON PROGRAM

1. Number of cotton growers who carried out adjustment contracts in 1933	1, 026, 514
2. Total number of acres of cotton in cultivation in United States, July 1, 1933	40, 929, 000
3. Total number of acres of cotton in cultivation, July 1, 1933, by contracting producers	29, 893, 059
4. Percentage of total acreage in cultivation (item 2) signed up under contracts (item 3) in 1933 percent	73
5. Acreage taken out of cotton production in 1933 by contracting producers	10, 400, 000
6. Total acreage harvested in 1933	30, 144, 000
7. Total number of bales of cotton produced in United States in 1933	13, 177, 000
8. Bales of cotton removed from production under contract in 1933	4, 400, 000
9. World supply of American cotton, 1932–33 bales	26, 000, 000
10. World supply of American cotton, 1933–34 do	24, 800, 000
11. Total of cash rental payments ($7 to $20 per acre without option; $6 to $12 per acre with option) on land taken out of production in 1933	$112, 000, 000
12. Total available for 4-cents-per-pound advances on cotton options to 571,969 growers under 1933 contracts	$48, 000, 000
13. Total available through Commodity Credit Corporation for 10-cents-per-pound loans on unsold cotton	$250, 000, 000
14. Estimated receipts from 4.2-cents-per-pound processing tax in 1933–34 marketing year	$116, 000, 000
15. Farm value of 1932 crop (seed and lint)	$425, 488, 000
16. Farm value of 1933 crop (seed, lint, cash rental payments, profits on options)	$857, 248, 000
17. Percent increase of 1933 farm value over 1932 farm value percent	101. 5

The first commodity for which an adjustment program was developed and carried out was cotton.

When the act became effective May 12, 1933, it was evident that the unusually large crop of cotton which was in prospect, added to the existing carry-over, would increase world supplies to an unprecedented total. The Secretary of Agriculture and the Administrator of the act were in consequence faced with the immediate necessity of averting further sharp declines in cotton prices.

I. HISTORICAL AND ECONOMIC REVIEW

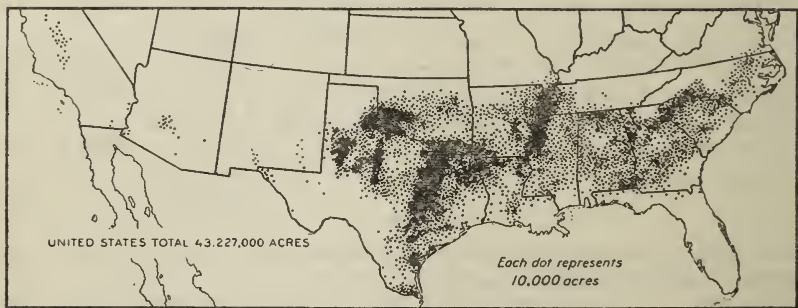
In formulating a plan of action, the course of cotton prices over the last 20 years was reviewed. Before the World War, the cotton situation was relatively stable. Production was increasing both in the United States and in foreign countries; but so was the demand. Cotton textile mills were expanding their operations in the South as well as in the New England States; and spinning and weaving mills were increasing in number in many foreign countries. Growers saw little

need in these circumstances to trouble about the control of production. Large output forced prices down in some years, but years of shortages and high prices usually followed. Conditions appeared to warrant a moderate continuous expansion of the cotton acreage, and price changes seemed to result much more from the unpredictable action of the weather than from the controllable behavior of the growers. Such is generally the case with crops widely produced for a relatively stable or expanding market. The fact that acreage ultimately controls production looks unimportant when there is no cumulative surplus.

WAR UPSET BALANCE

Wartime and post-war developments upset the balance in the cotton situation. War forced up the United States farm price from an average of 12.4 cents a pound in the 5-year pre-war period to 28.4 cents in November 1918. With an annual production in this period slightly lower than that of the pre-war period, the farm value of the cotton crop was doubled. The favorable price situation did not lead quickly to a great expansion in production, because of high costs and the shortage of labor in the war period and the gradual spread of the boll weevil. By 1921 the weevil had spread over most of the Cotton Belt; in that year it reduced yields more than 30 percent. Severe damage occurred also in 1922 and 1923. In some sections cotton production was nearly abandoned. But the power of price to stimulate production had not vanished. It had simply met an unusual temporary obstacle.

Chart 2.—Cotton Acreage, 1929



After a brief post-war slump, cotton prices recovered and soared again to high levels. The short crop due to the boll weevil caused an extreme shortage of supplies. The farm price in December 1923 was 32 cents a pound. This was an incentive to production that not even the States most heavily infested with the weevil could resist. They learned to combat the insect, and yields began to increase again. Farmers in noninfested regions increased their acreage. Significant increases took place in the northern edge of the Cotton Belt, on the Atlantic Coast, and in the Mississippi Valley States. Tremendous expansion took place in the West. Texas alone added 7,000,000 acres from 1921 to 1926. That State increased its cotton production from 2,200,000 bales in 1921 to 5,600,000 bales in 1926. Oklahoma's output rose from 480,000 bales in 1921 to 1,770,000 in 1926. In all, cotton acreage planted in the United States increased from 29,716,000 acres in 1921 to 45,847,000 acres in 1926.

ALL COUNTRIES EXPANDED PRODUCTION

A similar expansion occurred in foreign countries. Foreign growers kept pace with ours. Cotton acreage outside the United States was 28,522,000 acres in 1921–22. By 1925–26 it had jumped to 42,310,000 acres. India's acreage increased in this period from 18,451,000 to 28,403,000; Russia's from 296,000 to 1,464,000; Australia's from 8,700 to 18,800; Argentina's from 38,600 to 272,000; Anglo-Egyptian Sudan's from 87,000 to 239,000; Egypt's from 1,339,000 to 1,998,000.

In thus expanding their production, the world's cotton growers seemed, until about 1928, to have the same kind of justification as they had before the war. Cotton consuming countries believed, for several years, that the boll weevil had permanently crippled the American cotton industry. Foreign cotton mill interests accordingly fostered and even subsidized cotton production in many countries. They furnished in this way, and also by paying extremely high prices for cotton, a stimulus that growers thought they could depend on. Price was still the guide in planning production. But in 1928 signs appeared that production had been overdone. Germany, for example, reduced her cotton imports sharply, and other countries to a lesser degree. The economic depression caused a great falling off in cotton consumption in practically all countries. World consumption of American cotton fell in 1929–30 to 13,000,000 bales, as compared with more than 15,000,000 bales in each of the preceding 3 years. Cotton consumption fell in the United States from about 7,000,000 bales to about 5,000,000 bales in 1930–31 and 1931–32. It was evident that the prices on which growers had relied in expanding their production had not foreshadowed the demand correctly.

WORLD CARRYOVER INCREASED

The world carryover of American cotton in the 1929–30 season was less than 5,000,000 bales. In 1932–33 it was 13,000,000 bales.

The economic situation in the Cotton Belt in May 1933 was the culmination of the disastrous downswing in prices and income over a period of years. Gross farm income from cotton and cottonseed fell from $1,470,000,000 in 1928–29 to $431,000,000 in 1932–33. This represented a decline in the average gross income per farm family for cotton and cottonseed from about $735 in 1928–29 to $216 in 1932–33. Cotton prices received by producers fell from an average of 18 cents in 1928–29 to 5.7 cents in 1931–32. At the low point in June 1932 the average farm price was 4.6 cents per pound. In January 1933 it stood at 5.6 cents as compared with 12.4 cents during the pre-war period, 1910–14. While the things farmers bought in 1931–32 averaged 14 percent above the pre-war level, the prices they received for cotton averaged 54 percent below the pre-war level. In January 1933 cotton brought the producer 7.2 cents per pound below what the price should have been to give him purchasing power equal to that of the pre-war period.

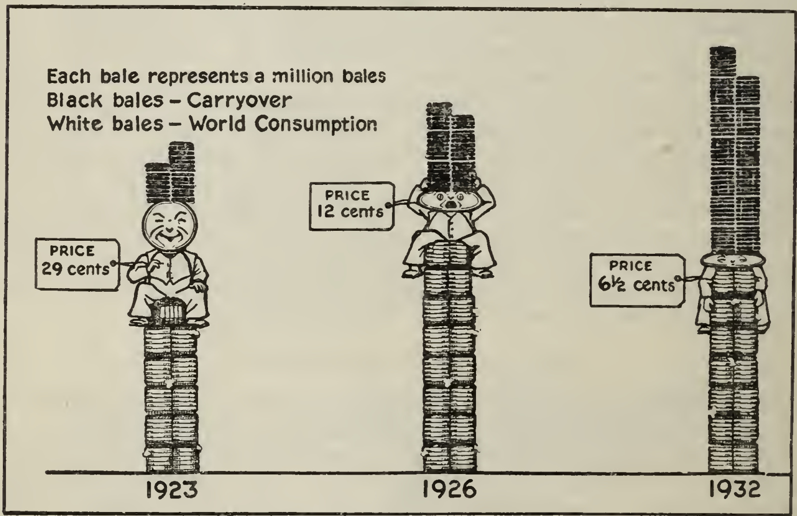
World consumption of American cotton, which had fallen to 13,000,000 bales in 1929–30, had continued its decline to 10,900,000 bales in 1930–31, though it rose to 12,300,000 bales in 1931–32.

The cotton crop of the United States for the years 1928 through 1932 averaged 14,666,000 bales. The crop of 1931 totaled 17,100,000

bales. Accordingly, the world supply of American cotton rose from 19,300,000 bales for the year 1929–30 to 26,000,000 bales in 1931–32. While low price and loss of credit forced cotton farmers to adopt a more self-sufficient type of agriculture, and to attempt through the production of other staples to augment their income, this readjustment went as far as individual effort could force it in 1932. Still the crop was sufficient to continue the world's supplies of American cotton at the 26,000,000-bale level.

At the beginning of 1933, therefore, the world supply of American cotton was still of record proportions. The fact that there was no other staple or group of staples to which the farmers of the South could turn, together with the fact that many families had returned to the South from the industrial centers of the North, brought the prospect of a further increase in supplies of cotton.

Chart 3.—The Cotton Price Squeeze



II. THE 1933 EMERGENCY PROGRAM

On May 23, 1933, when representatives of the Bureau of Agricultural Economics, the Extension Service and the Agricultural Adjustment Administration met to consider the situation, it was clear that drastic action was necessary if a disaster of major proportions throughout the Cotton Belt was to be averted.

ACREAGE THE DOMINANT FACTOR

In this conference it was emphasized that while fluctuating yields have seemed the dominating factor in cotton production in some recent years, acreage is the dominant factor in the long run. In the period 1898–1902 the harvested cotton acreage of the United States averaged 25,675,000 acres and the production 10,177,000 bales. In the period 1927–31 the average number of acres of cotton harvested was 41,036,000 and the average production was 14,661,000 bales. Yields fluctuated during this period and showed a net decline. It was therefore obvious that the expansion in average production resulted from the expansion in acreage.

FOREIGN PRODUCTION CONSIDERED

Domestic production could without doubt be curtailed by reducing acreage, but what about foreign production? Was it possible that if the American farmers produced less cotton, their competitors abroad would produce more to take its place? It was brought out at the conference that as the world's largest source of cotton, the United States has a controlling influence in the supply and demand situation. Other countries are not well equipped to forge ahead when prices are low. Labor costs are low in India, but production practices are not efficient. Yields and quality of the crop are low. Russia's production may expand, but its consumption requirements will also increase. That country is not likely to export much cotton. China's total output does not appear to be increasing although there has been an increase in the amount grown commercially. Some of the newer cotton-growing countries whose acreage jumped under the stimulus of post-war boom prices have unit costs considerably higher than ours.

The opinion was expressed that although it would be desirable to have all producing countries adjust production uniformly and thereby distribute the burden of improvement, it would be unwise for this country to wait until such unanimity of action were obtained before putting any program into effect. The important objective was obviously to correct the unsatisfactory situation, and yet to avoid stimulating foreign production. Creation of a world shortage and excessively high prices might stimulate the development of new producing regions abroad and the expansion of old ones, just as the shortage of cotton and high prices resulting from the damage of the boll weevil did in the period from 1921 to 1925. But a program aimed at reduction of the cotton surplus and the increase of cotton prices to parity did not seem likely to bring about any material expansion in cotton growing abroad. Furthermore, although American cotton consumers would be paying the market price plus the processing tax, American cotton would still be available to foreign purchasers at the market price. Not until a large part of the excessive carryovers had been removed would there be any danger of world market prices advancing to a point which would stimulate significant increases in cotton acreages in other competing countries.

REDUCTION IN GROWING CROP FOUND NECESSARY

It was decided that the minimum objective for 1933 must be the elimination of 10,000,000 acres or 3,000,000 bales of cotton from the growing crop. Interviews with hundreds of farmers in key counties throughout the Cotton Belt confirmed estimates, based on calculations of the farm value of the growing crop, that it would be necessary to make payments of approximately $11 per acre on an average, in order to induce the farmers to plow under the required acreage. Accordingly, a schedule of payments calling for a total of approximately $110,000,000 was worked out. Rental payments, based on the prospective yield of cotton, were announced as shown in table 2.

TABLE 2.—*Cotton rental payments*

Estimated yield per acre for 1933 on land to be taken out of production	Payment per acre	Estimated yield per acre for 1933 on land to be taken out of production	Payment per acre
100 to 124 pounds	$7	175 to 224 pounds	$14
125 to 149 pounds	9	225 to 274 pounds	17
150 to 174 pounds	11	275 pounds and over	20

Besides this schedule of rental payments, it was decided to give growers the alternative of a combination cash rental payment plus an option on Government-owned cotton, as provided in part 1 of the Agricultural Adjustment Act. Under this plan, the producer was to receive an option at 6 cents a pound on Government cotton in an amount equal to the estimated production on the land he retired from production. Cash benefits announced under this plan are shown in table 3.

TABLE 3.—*Cotton rental payments with options*

Estimated yield per acre for 1933 on land to be taken out of production	Cash payment per acre plus option	Estimated yield per acre for 1933 on land to be taken out of production	Cash payment per acre plus option
100 to 124 pounds	$6	175 to 224 pounds	$10
125 to 149 pounds	7	225 to 274 pounds	11
150 to 174 pounds	8	275 pounds and over	12

The amount of cotton which each farmer was permitted to option was the same as the estimated yield on the acres he was willing to rent to the Government. This meant that with the privilege of optioning the cotton at 6 cents a pound, he would derive a profit of 4 cents a pound if the option should be called at 10 cents. Assuming this amount of profit on the options and assuming an average poundage from each of the several yield groups, the farmers choosing the options would benefit as shown in table 4.

TABLE 4.—*Income from cash-plus-option plan*

Approximate number of pounds of lint optioned per acre	Income per acre from options if cotton is called at 10 cents per pound	Total per acre from cash benefit and cotton options	Approximate number of pounds of lint optioned per acre	Income per acre from options if cotton is called at 10 cents per pound	Total per acre from cash benefit and cotton options
113 pounds	$4.52	$10.52	200 pounds	$8.00	$18.00
138 pounds	5.52	12.52	250 pounds	10.00	21.00
163 pounds	6.52	14.52	300 pounds	12.00	24.00

The acreage reduction plan was calculated to reward those who voluntarily cooperated with benefit payments and option profits slightly larger than the value of the cotton they would otherwise have raised. In this way the noncooperators would not have an opportunity to profit at the expense of their neighbors.

THE SIGN-UP CAMPAIGN

The plan was announced June 19. Because of the advancing season, the campaign to obtain signatures of growers was scheduled for the week beginning June 26. The document which growers were given an opportunity to sign was labeled: Offer to Enter Into Cotton Option-Benefit or Benefit Contracts. (See exhibit 19 of appendix I.) When a cotton producer signed this document, it constituted a binding offer of a definite amount of his acreage planted in cotton. It became

a completed contract when the Secretary of Agriculture gave written notice of its acceptance. Offers for the option-benefit contracts were to be accepted only to the amount of cotton held by the Secretary.

In section 1 of the offer the producer was required to state how much cotton he had planted and whether this cotton was up to a "good, fair, or poor" stand. He was also required under this section to state whether his cotton land was fertilized and the approximate number of pounds of fertilizer per acre.

In section 2 he was required to give the 1932 yield of his cotton land, state where it was ginned, to whom it was sold, and to estimate, "assuming normal conditions", the amount of lint cotton per acre he might "reasonably expect" to harvest from this planted acreage in 1933.

The producer was then required under section 7 to state the number of acres he offered to take out of production and to indicate, by a map on the back of the contract, an approximate plat of his farm and the acreage he planned to take out of production.

Other provisions of this instrument included an agreement not to use more fertilizer on the remaining acreage than was used in 1932 and an agreement that, pending investigation by the Secretary of Agriculture, the offer should be irrevocable until July 31, 1933.

CHOICE OF PAYMENTS

The producer was required in section 11 to make the election of whether he would take a straight cash payment or the combination of the option on Government cotton and a smaller cash payment. Payment and delivery of the option contract was to be made "as soon after the acceptance of this contract as I may furnish proof of the compliance with the provisions of this contract." Such proof was required to be submitted on or before December 1, 1933.

Provision was also made in the contract for the use of the land taken out of cotton, and in section 11 it was stated, "I reserve the right to plant the acreage taken out of cotton production, providing the same is planted solely for the production of soil improvement or erosion-preventing crops or food or feed crops for home use."

Further provision was made in the contract for the recommendation of the local committee and also a statement from a member of the local committee that "the undersigned authority has inspected the land embraced in the foregoing offer, concurs in the estimate of the probable production thereon, certifies after investigation that the facts stated therein are to the best of his knowledge and belief correct, and witnesses the signature of the producer." The land was also inspected after the farmer complied with his contract.

Specimen copies of the option contract accompanied the instrument the producer signed. In this "cotton option contract" the Secretary granted to the producer an option to buy a designated number of bales of cotton at 6 cents a pound ($30 a bale), basis middling ⅞-inch staple cotton as quoted on the New York Cotton Exchange. It was also stated that in no event should the producer be liable for any financial loss because of the acceptance of the option.

The terms of the option embraced seven stipulations. They were:

1. The option is nontransferable and expires May 1, 1934, unless exercised before such date.

2. Any exercise of this option must be for the full amount of the cotton covered hereby.
3. The basis of cotton covered by this option is a bale of 500 pounds gross weight, middling in grade, ⅞-inch staple.
4. To facilitate the execution of this contract, the producer specifically authorizes the Secretary to convert by any appropriate means the cotton covered by this option into cotton futures contracts.
5. On the form printed below (or on a form identical therewith) the producer shall give notice to the Secretary that he elects to have his option exercised on a designated date, and such notice, subject to regulations of the Secretary and to the terms of this contract, shall be effective as an exercise of this option when received at the place designated for such notice. Upon receipt of the notice, the Secretary, in his discretion, may sell for the account of the producer, either
   (*a*) Cotton held by the Secretary in an amount covered by this option, on any recognized spot market at the earliest practicable date, having in view the condition of the spot markets, at any time after the date indicated in the notice; or
   (*b*) Future contracts held by the Secretary covering an amount of cotton specified in this option. If future contracts are sold, the price shall be fixed as of the close of the New York Cotton Exchange for the nearest generally quoted cover month on the date specified in the notice, unless the notice is received after 4:30 p.m., eastern standard time, on the date specified or unless such Exchange is closed on the date specified, in either of which events the price shall be fixed as of the first opening of the Exchange thereafter.
6. If the date designated in the notice is a date prior to December 1, 1933, the Secretary, in his discretion, may postpone compliance with such notice until such time as in his judgment a price of not less than 9½ cents per pound can be obtained for cotton covered by all like options, the holders of which have given notices to have their options exercised on such date; but in no event shall such compliance be postponed beyond March 1, 1934. Such postponed compliance shall be deemed an exercise of the option.
7. The Secretary shall pay to the producer, as soon as practicable after the exercise of this option, the difference between 6 cents per pound and the price as fixed in paragraph 5 (*b*) or if the option is exercised pursuant to paragraph 5 (*a*), then the differences between 6 cent per pound and the price at which sale is made. In making such settlement, no deduction shall be made for carrying charges, brokerage fees, or other costs or expenses.

A supplementary ruling was issued after the emergency campaign was concluded giving option holders the opportunity to extend the terms of their options. Under the original option, the expiration date is fixed at May 1, 1934. Producers who desire to do so have been given the opportunity to extend the option to May 1, 1935. After May 1, 1934, however, the option holder is required to pay the carrying charges on the cotton which include storage, handling, and insurance. This charge, which amounts to about 40 cents per bale per month, will be a charge against the cotton and be deducted from the proceeds when the cotton is finally sold.

PLAN OPEN TO ALL COTTON FARMERS

The plan, it was announced, was open to all cotton farmers, whether they owned the land on which they were farming or rented it on a cash basis, on a share basis or otherwise. The test as to who might make contracts was the legal ownership of the crop.

No producer was permitted to contract to take out of production less than 25 percent nor more than 50 percent of his cotton acreage except with the approval of the State director of extension in special circumstances.

The Extension Service in the several States of the Cotton Belt was utilized for the task of carrying the message to the farmers and obtain-

ing their signatures on offers to enter into benefit contracts. The extension forces were augmented by the vocational agricultural teachers, as well as many of the workers of the colleges of agriculture and experiment stations and the United States Department of Agriculture. In all cases existing governmental agencies were used to the fullest possible extent.

In some counties where there were no county agents, arrangements were made for employment of special emergency agents; and in some instances these agents, together with the local committees which were set up to aid in placing the program before the producers, served several counties.

On June 23 the first contract form was approved. It was the plan to close the campaign on July 8 simultaneously throughout the Cotton Belt. The enormous task of preparing and printing contracts and other material and delivering them to the field prevented local workers from beginning the campaign exactly as scheduled, and it became necessary to postpone the closing date until July 12. Prior to the launching of the campaign, county agents in all the important cotton-producing counties had selected leading farmers, most of whom had had experience in seed-loan work, as local committeemen. In the 956 counties from which contracts were received, there were approximately 22,000 local workers. In many cases schools of instruction were held before they actually entered into the sign-up campaign. These local workers were paid a net per diem of $2.55 to cover at least a portion of the necessary outlay for gasoline, oil, and other expenses.

INFORMATION WIDELY DISSEMINATED

Simultaneously with the launching of the campaign in June, a committee made up of representatives of the Division of Information and Publicity of the Agricultural Adjustment Administration, the Extension Service, extension editors of the Cotton Belt States, and the Cotton Section of the Administration's Production Division worked out a comprehensive schedule of news releases of an informational character to be carried in the daily and weekly newspapers and farm magazines and a series of radio addresses to be delivered over national chains and local stations. News releases went to some 664 daily papers and 3,500 weekly papers. The country weeklies carrying this information had a total circulation of well over 3,000,000 and 50 of the leading dailies had a total circulation of over 4,000,000. Special articles were also prepared for the farm magazines—6 of which had a total circulation of more than 2,500,000.

The campaign also had the active support of business and professional men generally. The officials of the various State cotton cooperatives rendered valuable service as speakers and as workers.

In Washington, the Administration made full use of existing agencies. Experienced tabulators of the crop-estimating division of the Bureau of Agricultural Economics, under the direction of executives thoroughly familiar with the Cotton Belt and the cotton problem, had the responsibility of correlating State reports and submitting daily reports to the Secretary of Agriculture and the Agricultural Adjustment Administration.

The official closing date of the campaign was originally fixed at July 12. Delays for various reasons and the necessity for reaching every cotton farmer personally caused the closing date to be extended

to July 19. On July 14, however, it was clear that the acreage as well as the baleage signed up to be taken out of production was sufficient to warrant the Secretary of Agriculture in declaring the program in effect. This he did.

10,400,000 ACRES TAKEN OUT

The goal at the outset was to take not less than 10,000,000 acres or 3,000,000 bales out of production. The amount of land actually taken out of cotton was approximately 10,400,000 acres. The baleage taken out of production was estimated at 4,400,000. This was due to an unusually favorable season, which caused the average yield per acre to be 209.4 pounds of cotton (Dec. 1 estimate by the Crop Reporting Board, Bureau of Agricultural Economics), one of the highest per acre yields of record. The actual production, as estimated December 1, was 13,177,000 bales. Had the full crop reached maturity, it is estimated it would have totaled 17,600,000 bales.

That the growers fulfilled the clause in their contract in which they agreed not to increase the amount of fertilizer used on the acres remaining in cotton is borne out by the reports of fertilizer manufacturers, which indicate that total sales of fertilizer in the Cotton States, during June and July 1933, exceeded sales in the same months of 1932 by only 5,126 tons. Even if all of this had been used for cotton, the effect on the total production of cotton would have been negligible.

The number of contracts offered by growers was 1,042,115. Of these 1,026,514 were accepted and approved for payment, representing a performance of 98.5 percent of the total offers received. Of the contracts accepted, 571,969, or 55.7 percent, called for cash benefits plus options. The number of bales optioned was 2, 387,795. Contracts not providing for options numbered 454,545. (Appendix D of this report gives a summary of the cotton option contracts by States.)

Expenses of the campaign outside of Washington totaled $2,799,000. This covered the cost of obtaining contracts from the individual farmers, measuring fields, inspecting fields both before and after compliance to make certain that the reduction claimed was made and the full acreage paid for was actually taken out of cotton cultivation. Expense outside of Washington per offer accepted and performed was $2.73. This was at the rate of 27 cents per acre or 64 cents per bale, for each acre or bale removed from the 1933 crop.

III. PROCESSING TAXES

Funds with which to make the rental and benefit payments to the cotton producers who cooperated in the reduction campaign were obtained from a processing tax of 4.2 cents a pound net weight on all cotton entering domestic consumption, announced by the Secretary of Agriculture on July 14, 1933, effective August 1, 1933.

It is expected that receipts from the processing tax with respect to consumption of cotton during the year which began August 1 will amount approximately to $120,000,000. In addition, collections of compensating taxes on the importation of articles manufactured of cotton are expected to total approximately $1,000,000. Allowing $5,000,000 for refunds of the tax to charitable organizations as

provided in section 15 (c) of the act, and for refunds on goods exported as provided in section 17 (a) of the act, net collections from the processing tax on cotton are expected to amount to about $116,000,000. No allowance is made in this calculation for receipts from the floor stocks tax on cotton products, since refunds are to be made on floor stocks when the tax is wholly terminated. Exhibit 1 of this report shows the estimated receipts and expenditures in connection with the cotton production control program.

EFFECT OF THE TAX

Two factors make the processing tax on cotton of slight effect on prices received by producers. First, the United States normally exports between 55 and 60 percent of its cotton crop. Since no tax is levied on cotton for export, the price to foreign buyers is not appreciably affected by the processing tax on domestic consumption, and the price paid by domestic mills cannot be less than that offered by foreign buyers. The tax, therefore, is an additional cost attached to cotton in domestic consumption, over and above the export price for cotton. It does not increase the price to foreign buyers or place American cotton or cotton goods on an unfavorable competitive basis abroad. Second, the domestic demand for textile materials is relatively inelastic. Domestic mills will pay relatively high prices for cotton and consume large amounts of it when the consumer demand is strong, but when demand is weak consumption is decreased, even though prices are low.

Reviewing the trend of cotton prices for the year, it is found that the price received by producers ranged from 5.5 cents per pound to 6.1 cents per pound during the period from January through April. With the inauguration of the cotton acreage program, the decline in the value of the dollar, and the improvement of business activity, cotton prices rose. A part of the rise was undoubtedly speculative, and prices of industrial stocks were affected in much the same way as cotton prices. At the peak reached in July, prices received by farmers averaged 10.6 cents per pound. In August and September, prices to producers averaged 8.8 cents per pound, then rose to an average of 9.6 cents for November and December. Although they lost a part of the mid-summer rise, prices to producers since the establishment of the cotton processing tax have been above those of any month in the previous 2 years with the exception of July 1933. For the 1932–33 cotton year, prices received by producers averaged 6.5 cents per pound, compared with 5.7 cents per pound for the previous year. There is no evidence that prices to producers have been materially affected by the cotton processing tax. (Further details of the effect of the processing tax will be found in Chapter 16 of this report headed "Incidence of Processing Taxes.")

COTTON CONSUMPTION ACCELERATED

With the improvement in domestic business activity and the rise in prices, cotton consumption in the United States rose from 441,203 bales for the month of February 1933 to 697,261 bales for the month of June. If the rate of consumption during June had continued, an annual consumption of more than 8,367,000 bales would have resulted. This is higher than domestic consumption has ever been, even in years of peak prosperity. Although demand had improved

significantly it was not to be expected that consumption could long be maintained at such record level. Consumption fell somewhat in July, but was still at the high level of 600,000 bales. It continued to recede in August and September after the tax was imposed. The rates of consumption were 588,570 bales in August, 499,486 in September, 503,873 in October, 475,368 in November, and 348,393 in December. For each month up to December, after the processing tax went into effect, domestic cotton consumption, despite the moderate recession from the summer high point, was above that for the corresponding month of any year since 1929. If the rate of consumption during the first quarter of 1933-34 is continued throughout the year, domestic cotton consumption will total 6,368,000 bales, which is higher than the consumption for any year since 1928–29. It is evident, therefore, that the cotton processing tax has not prevented a satisfactory recovery in cotton consumption. Its adverse effects have been limited to certain instances in which cotton is in competition with other commodities.

One of the very important problems arising with respect to the processing tax on cotton is the burden that it may put on consumers of cotton products. Prices of cotton goods to consumers rose sharply during the spring and early summer of this year. In many instances this rise was greater than could be attributed to the rise in raw cotton prices, demonstrating that manufacturers' margins had increased. (It should be noted, however, that these margins were unusually narrow at the beginning of 1933.) Later in the summer increased wages per hour, under N.R.A. codes, were followed by further widening of margins between raw cotton and finished cotton articles.

PER CAPITA COST SMALL

As noted above, net receipts from the cotton processing tax are expected to amount to $116,000,000 for cotton consumed during the marketing year 1933–34. This is equivalent to approximately 93 cents per person in the United States during the year, or less than 8 cents per month. The Agricultural Adjustment Administration has given close attention to determine whether the processing tax is being used as an excuse for charging exorbitant prices to consumers. Since the cotton processing tax has made possible the cotton adjustment program of 1933, which was accompanied by an increase in actual and potential incomes to cotton producers of $431,760,000, as indicated by December estimates of the value of the crop and payments and option profits obtained by cotton producers, it is probable that the benefits to wage earners from the stimulus to business activity much more than offset the burden of the tax.

CONVERSION FACTORS

At the time the cotton processing tax was established, it was necessary, for purposes of convenience and for other reasons, to have a simplified set of conversion factors, or percentages, for calculating the amount of raw cotton contained in various finished products. Thereafter a comprehensive study was made of the wastes involved in manufacturing cotton articles and, effective December 1, a more elaborate set of conversion factors was established. Under the new regulations approximately 500 conversion factors have been established, and a figure for noncotton content has been established for each article.

COMPETITIVE COMMODITIES

In order not to destroy market outlets for basic agricultural commodities with respect to which processing taxes are established, the Agricultural Adjustment Act provides that compensatory taxes shall be established on commodities found to compete with basic agricultural commodities where the tax on the basic commodity will result in excessive shifts in consumption between such commodities or products thereof. On July 31 and August 1 a formal hearing was held upon commodities alleged to compete with cotton. Although considerable testimony was introduced at that hearing, the evidence was not considered adequate for the determination of whether or not competition exists within the meaning of section 15(d) of the act. Accordingly, intensive study of this problem was begun. Subsequent hearings on specific commodities alleged to compete with cotton were held on October 2, 3, and 4, and November 9 and 10.

It has been found that the cotton processing tax is causing and will cause the processors of cotton disadvantages in certain fields in competition from jute and paper. Compensatory taxes have been established upon processing of jute fabric into bags, and the processing of jute yarns into twines of 275 feet and longer per pound. Both of these taxes are at the rate of 2.9 cents per pound of jute processed. A compensatory tax has also been established on the processing of paper into the following products: Multiwall bags, 2.04 cents per pound; coated paper bags, 3.36 cents per pound; open-mesh paper bags, 2.14 cents per pound; paper towels, 0.715 cent per pound; and gummed paper tape, 4.06 cents per pound. The rates of these compensatory taxes were determined according to the formula laid down for such taxes in the Agricultural Adjustment Act, which is: "If the Secretary of Agriculture finds * * * disadvantages in competition exist or will exist * * * the compensating rate of tax on the processing" of the competing commodity shall be that "necessary to prevent such disadvantages in competition. * * * In no case shall the tax imposed upon such competing commodity exceed that imposed per equivalent unit, as determined by the Secretary, upon the basic agricultural commodity." Net revenue from compensatory taxes will probably be at an annual rate of between $10,000,000 and $12,000,000 for jute and about $3,000,000 for paper.

The alleged competition between cotton and certain other commodities is still under investigation.

IV. HANDLING OF COTTON FOR OPTION CONTRACTS

Acquisition of cotton for carrying out the Government's option contracts with producers, specific provision for which had been made in the Agricultural Adjustment Act, was assigned to the Agricultural Adjustment Administration on June 5. To a major extent, the transaction developed out of Federal Farm Board stabilization operations in which the Government acquired interest in a large amount of cotton. By June 7 an agreement had been reached between the Secretary of Agriculture and the Farm Credit Administration as to the terms, conditions, and provisons applicable to acquisition of this cotton. It provided that the Secretary of Agriculture take over at once nearly 2,400,000 bales and this consisted of 455,200 bales of cotton represented by future contracts on the New York Cotton Exchange; 1,128,774 bales of actual cotton, then in process of being acquired by

the Farm Credit Administration from the American Cotton Cooperative Association; and a quantity of cotton, estimated at 788,000 bales, commonly known as "seed and crop production loan cotton", being cotton pledged by producers to the Secretary of Agriculture to secure loans made by the Secretary for crop production during several years preceding 1933. Jurisdiction over this production-loan cotton had passed from the Secretary of Agriculture to the Farm Credit Administration by virtue of an Executive order dated May 27, 1933, according to which this cotton was to be reduced to possession by the Farm Credit Administration and assigned to the Secretary of Agriculture.

WEIGHT OF ACTUAL COTTON VARIES

All of the figures were to some extent an approximation, with due allowance to be made for such excess or deficiency as might develop from an actual checking of the cotton. (It should be explained that wherever in this report actual or spot cotton is referred to, the figures designate what are known as "box" or "ginned" bales, that is to say, bales as they come from the cotton gin of an irregular weight ranging from 350 to 600 pounds each. Where reference is made to futures contracts, or bales optioned, the figures designate bales of an even-running weight of 500 pounds each of an average grade of middling and staple seven-eighths inch. For example, 152,800 bales of futures contracts averaging 500 pounds each may be exchanged for 144,561 bales of actual cotton averaging 528 pounds each. The aggregate weight would be the same.)

The amount of cotton futures held by the Secretary was increased from 455,200 to approximately 950,000 bales when the Farm Credit Administration, in lieu of delivering production loan cotton in the form of actual cotton, substituted cotton futures contracts. Later, deliveries of actual cotton reduced the amount of futures to approximately 835,000 bales.

Also, some of the actual cotton delivered to the Secretary by the Farm Credit Administration had to be converted into futures. This consisted of nearly 100,000 bales of long-staple cotton, that is, cotton measuring $1\frac{1}{16}$ inches or more in staple. In that form it was not suitable for meeting the options offered to producers, which were based on $\frac{7}{8}$-inch middling cotton. Hence the Secretary determined to sell, as rapidly as the market would absorb it, all of the extra-staple cotton, replacing it with cotton futures contracts, which would represent bales of cotton uniform as to grade, staple, and weight and easily disposed of.

COMPTROLLER GENERAL GAVE APPROVAL

Under date of July 10, 1933, therefore, the Secretary addressed a communication to the Comptroller General of the United States, asking, in advance, approval of the Comptroller of his action in taking over the Farm Credit Administration cotton futures contracts and outlining a proposed method of handling these contracts. By letter dated July 18, 1933, the Comptroller General approved the plan as outlined.

In accordance with this plan, the Secretary sold 15,497 bales of the long-staple cotton. These sales were for delivery on installments running through a period of months. The premiums for extra staple were agreed upon at the time of the sale and the base price was to be fixed

by the buyer at his discretion. Up to the time of this report 10,398 bales of this cotton had been delivered and the price fixed and the proceeds collected. Against this the Secretary had purchased 9,200 bales of futures, thus replacing the cotton that had been delivered. Purchase of more futures to replace the remaining 5,122 bales when and as they should be delivered was contemplated.

SUPPLY OF ACTUAL COTTON INCREASED

The amount of actual or spot cotton acquired by the Secretary from the Farm Credit Administration was 1,582,400 bales. Later, when the cotton pool described elsewhere in this report was created for the handling of the optioned cotton, it was found advisable to increase the stock of spot cotton, so as to be prepared to meet the offers of option holders wishing to join the pool. It happened that among the futures acquired from the Farm Credit Administration were 152,800 bales represented by December futures contracts and 64,800 bales represented by January futures contracts—an aggregate of 217,600. When the need for increasing the amount of actual cotton arose, this was accomplished by taking 217,600 bales against the December and January futures, accepting delivery of this number of bales of cotton from cotton merchants who had outstanding short futures contracts and giving in return long futures contracts. Thus futures contracts for 217,600 bales were canceled off the exchange. The supply of actual cotton in the hands of the Secretary was thereby increased to 1,800,000 bales.

As the matter stood, on January 1, 1934, the Secretary of Agriculture had acquired 1,800,000 bales of actual cotton of varying net weight—the equivalent of 1,869,000 bales of 500-pound weight—and 618,300 bales of futures contracts. Except for final formalities, this completed the acquisition of cotton from the Farm Credit Administration and made available a total of 2,487,300 bales for meeting the options held by cotton growers. No transactions in either futures or actual cotton were carried on except those made necessary in carrying out the terms of section 3 of the act.

COTTON HANDLED FOR SECRETARY BY COOPERATIVES

Physical handling of the more than 1,500,000 bales of actual cotton acquired by the Secretary directly from the Farm Credit Administration was carried on by two cotton cooperatives under contract with the Secretary. At the time of its acquisition, this cotton was being handled by the American Cotton Cooperative Association and its subsidiary organizations under contracts or agreements with the Federal Farm Board, the Department of Agriculture, or other governmental agency. Investigation showed that the most economical and satisfactory method of handling the cotton would be to make the American Cotton Cooperative Association—which had the necessary personnel, quarters, tabulating machines, and equipment for handling the enormous volume of cotton—the agent of the Secretary, performing all the services of a factor. The association agreed to market the cotton for a carrying charge of 25 cents per bale per annum and a selling charge of 50 cents per bale, but it was provided that the carrying charge should not be paid for the year in which the cotton was sold.

There was excepted from the cotton handled by the American Cotton Cooperative Association approximately 75,000 bales of long-staple cotton, for the marketing of which the Secretary of Agriculture contracted with W. M. Garrard, of Greenwood, Miss., general sales manager of the Staple Cotton Cooperative Association. Mr. Garrard had specialized for more than 10 years exclusively in the marketing of this type of cotton, and was especially qualified. Under his contract he has disposed of the 15,497 bales of actual cotton, sale of which was referred to above.

Under the agreement between the Secretary of Agriculture and the Government of the Farm Credit Administratisn regarding the acquisition and transfer of cotton, the Secretary engaged to pay the Farm Credit Administration 5 cents a pound on all of the actual cotton to be acquired from the latter.

FINANCING THE TRANSACTIONS

To meet the expense involved in the 5-cents-a-pound payment, and to provide funds for paying expenses incident to carrying and handling the cotton, there was borrowed from various New York banks an aggregate of $30,000,000 at an interest rate of 2, 2⅛, and 1½ percent per annum. Also $3,300,000 was borrowed from the Reconstruction Finance Corporation at an interest rate of 1½ percent per annum. The proceeds of these loans covered the original cost to the Secretary of Agriculture of approximately 1,128,808 bales of actual cotton. At the time of acquisition of this cotton the market base price was 9½ cents per pound, subject to additions or subtractions of premiums or discounts resulting from grade, staple, or location of the cotton. To take care of this difference and to reimburse the Farm Credit Administration for the loss which would have been sustained by it upon the sale of the cotton for 5 cents, the Secretary of Agriculture, acting in conjunction with the Governor of the Farm Credit Administration, applied to the President for an allocation of funds from the appropriation made in section 220 of the National Industrial Recovery Act, commonly referred to as the Bankhead fund. This allocation, in other words, was to make up the difference of 4½ cents a pound between the market price of 9½ cents and the payment of 5 cents already arranged for.

Subsequently the President, by successive Executive orders, allocated a total of $60,000,000 from the Bankhead fund to the revolving fund of the Farm Credit Administration, for use in adjusting accounts between the Secretary of Agriculture and the Farm Credit Administration in connection with the acquisition of cotton and cotton futures.

V. LOANS ON COTTON AND COTTON OPTIONS

When it became apparent that because of unusually favorable climatic conditions the 1933 cotton crop would exceed all normal expectations and would approximate 13,000,000 bales, the Agricultural Adjustment Administration cooperated with other agencies of the Government in steps to protect the price of cotton. In this connection conferences were held with Members of Congress and other representatives of cotton producers in an effort to devise further plans. As a result of these conferences what has come to be known as the "10-cent loan program" was formulated. This program provided

for lending cotton producers 10 cents a pound on the unsold portion of their crop. With the approval of the President, funds for this purpose were made available by the Reconstruction Finance Corporation to a new unit known as the Commodity Credit Corporation. Among the officers and directors of the Commodity Credit Corporation are the Secretary of Agriculture, the Governor of the Farm Credit Administration, and officials of the Reconstruction Finance Corporation.

It was arranged that cotton producers, to become eligible for loans, must agree to participate in the 1934 acreage reduction campaign sponsored by the Agricultural Adjustment Administration. Producers who obtained loans have been charged 4 percent interest. The notes mature July 31, 1934, but the Commodity Credit Corporation expressly reserves the right to call the note at any time when the price of middling ⅞-inch spot cotton on the New Orleans market, as determined by the Bureau of Agricultural Economics, is at or above 15 cents a pound.

Banks, factors, brokers, merchants, warehousemen, cooperative marketing associations, local lending agencies, and other agencies dealing in cotton throughout the country were invited to make loans on the forms prescribed by and in accordance with the regulations of the Corporation, with the provision that such paper would be purchased by the Corporation at par with accrued interest at any time up to June 30, 1934.

ADVANCES ON OPTIONS

In order that those producers of cotton who had participated in the 1933 program and who had taken options on the Government-owned cotton at 6 cents a pound might be placed on a parity with those producers who were unwilling to participate in the 1933 campaign and who were privileged to borrow 10 cents a pound on cotton they had produced, the Agricultural Adjustment Administration took steps to advance to the holders of options 4 cents a pound against the cotton covered by their respective options. This was an amount equal to the difference between the 6-cent price at which the options had been acquired by the holders and the 10-cent loan value which had been placed on other cotton.

Making loans on the cotton options brought the necessity of new arrangements for the handling of the Government-owned cotton. The Director of Finance was designated as manager of a "cotton pool" created by the Agricultural Adjustment Administration for the purpose of acquiring funds, taking title to the 2,400,000 bales of Government-held cotton covered by the options, and making advances to the cotton farmers, numbering approximately 600,000, who had elected the "option-with-benefit" plan in the 1933 cotton adjustment campaign.

Option holders who desire to obtain the advance are required to execute a document entitled "Exercise of Cotton Option and Pool Agreement." This document directs the Secretary of Agriculture to sell the option holder the cotton covered by the option. Under it, the option holder agrees to the establishment of the cotton pool to which the cotton will be delivered. The manager of the cotton pool is authorized to borrow from the Commodity Credit Corporation 4 cents a pound on the cotton covered by the option.

POOL MANAGER AUTHORIZED TO SELL

The authorization to the manager of the cotton pool includes the right to sell the cotton in the pool at any time the cotton can be marketed on the basis of 15 cents per pound, middling ⅞-inch. After July 31, 1934, the Secretary may, in his discretion, sell and make delivery of all or any part of the cotton, irrespective of the price.

The pool manager is also authorized, under the agreement, "to sell any spot cotton held by the pool and replace said cotton by the purchase of cotton futures contracts covering an equivalent amount of cotton; to sell cotton futures contracts held by the pool and replace the same by the purchase of an equivalent amount of spot cotton; to take delivery of actual cotton under cotton futures contracts held by the pool; to buy or sell cotton futures contracts by way of hedge or for the purpose of fixation of prices of cotton bought or sold pursuant hereto by the manager."

It is stipulated in the agreement that "the manager shall, as soon as practicable, distribute to the optionee 4 cents per pound or $20 per bale upon the cotton covered by the option" and "shall issue to the optionee a participation trust certificate in said pool in a form to be approved by the Secretary."

The option holders who obtain the 4-cent advance also are required "if eligible and if requested to do so" to execute the 1934–35 cotton acreage adjustment contract.

FINANCIAL ARRANGEMENTS MADE

Financial arrangements for acquiring and carrying the cotton were made by the negotiation of a line of credit with the Chase National Bank and the Guaranty Trust Co., both of New York City, for a maximum of $73,000,000, or 6 cents per pound on all actual cotton acquired by the Secretary of Agriculture. This loan was to bear interest at the rate of 1⅞ percent per annum, interest payable at maturity of the obligation. The obligation was to be evidenced by notes of the Secretary of Agriculture, drawn to mature July 1, 1934, and to be secured by the pledge of the cotton acquired and to be acquired by the Secretary of Agriculture.

To supplement the fund borrowed from the banks, the Director of Finance, in his capacity as manager of the cotton pool, arranged a credit line with the Commodity Credit Corporation for a maximum of $48,000,000. This loan was to be evidenced by the note or notes of the manager of the cotton pool, drawn to mature July 1, 1934, and drawing interest at the rate of 4 percent per annum, interest payable at maturity of the note. The loan was secured by the pledge of the cotton to be delivered by the Secretary to the pool manager in connection with the program for advancing 4 cents per pound to the holders of cotton options.

The 10-cent loan program has resulted in total advances of $53,580,880.22 up to January by the Commodity Credit Corporation, while the loans made by banks and still held by them were estimated at between $50,000,000 and $60,000,000. Through the arrangements for the 4-cent advance on options, farmers have received or will receive a total of approximately $48,000,000.

VI. RESULTS OF 1933 PROGRAM

Official estimates of the Crop Reporting Board of the Department of Agriculture indicate that the total income received by the South from the cotton crop of 1933, including rental payments and potential option profits, is more than twice the income received from the crop of 1932.

The figures upon which this calculation is made include the farm value of lint cotton for the 1933 season, estimated at the December 1 price to be $617,716,000, as compared with $371,861,000 for lint cotton in 1932. In addition, rental payments totaling $112,000,000 and option profits totaling $48,000,000 have been or are being distributed. The farm value of cottonseed in 1933 has been calculated at $79,532,000 compared with a value of $53,627,000 for seed in 1932. Thus the combined farm value of the 1933 cotton crop, plus the total rental payments and the profits from options, is $857,248,000, as compared with $425,488,000, the value of the cotton crop in 1932.

Chart 4.—Farm and Parity Prices of Cotton and Benefit Payments

The significance of these figures becomes apparent if one reviews the situation which would have prevailed if the Government had not intervened on behalf of the cotton growers. The world carryover of American cotton on August 1, 1933, amounted to 11,600,000 bales, making a total supply for the year 1933–34 of 24,800,000 bales, or 1,200,000 bales less than the record supply of the previous year. Had the Government not acted to reduce the 1933 crop acreage, the supply as of December 1 would have been 29,200,000 bales, or approximately 3,000,000 bales greater than the previous year's supply. Many observers are of the opinion that if this had happened, the price would have ranged around 5 cents with little or no market. That would have meant utter economic disaster throughout the Cotton Belt. This was not only averted, but the price increased from the low level of 1932 to a probable average of 9½ cents for the 1933 crop. Prices received by producers averaged 8.8 cents per pound in August and September, 9 cents in October, and 9.6 cents in November and December, compared with 5.4 cents per pound in December 1932.

PLOW-UP CAMPAIGN BROUGHT HIGHER PRICE

While other factors have had an influence, especially the monetary policy, the price is undoubtedly affected to a marked degree by the success of the plow-up campaign which took 4,400,000 bales out of a potential crop of 17,600,000 bales. Had the full crop been harvested and the price fallen to 5 cents a pound, the value would have been $440,000,000 instead of the $617,716,000 now estimated. Furthermore, the reduction in acreage lowered the cost of production of the 1933 crop, so that the net returns to producers show an even greater increase than is indicated in their gross return.

The increased returns of the cotton growers have been reflected in a remarkable improvement in business conditions throughout the Cotton Belt. Bank clearings in Atlanta, Ga., during the last week in November were 43 percent higher than during the same week in 1932, and in Dallas, Tex., they were 43.6 percent higher, whereas for the country as a whole the increase was only 17 percent. For the week ending November 16, 1933, there were but 30 business failures in the South Atlantic and South Central States as compared to a total of 93 for the week ending November 17, 1932. As perhaps a more definite indication of the influence of improved conditions upon urban business, there was a continuous loss in electric meters, gas meters, and telephones in Atlanta in June. In July there was a gain of 47 gas meters. Increased installations ranged from that figure to 908 in October. There was a gain of 48 telephones in August, 600 in September, and 400 in October. In the case of apartment houses, vacancies stood at 28 percent as of February 1, 1933. On October 10, the percentage of vacancies was 18.

INDIRECT BENEFITS OF PROGRAM

In addition to adjusting the cotton supply situation and the resultant improved condition throughout the Cotton Belt, the 1933 cotton acreage reduction program had other results of far-reaching significance. The program resulted in the material reduction of cottonseed products which compete with products of the Corn Belt and other agricultural areas. The cottonseed oil in the 4,400,000 bales of cotton that were prevented from maturing would have amounted to over 612,000,000 pounds. This is equivalent to the lard from approximately 20,500,000 200-pound corn-fed hogs, or roughly, 40 percent of the lard produced in 1932 under Federal inspection. The cottonseed meal produced from the seed plowed under would have amounted to approximately 1,954,000 tons. This amounts to more than the total annual production of linseed meal, and on a pound-for-pound basis is equivalent to over 31,000,000 bushels of corn. The hulls plowed under are equal to 549,000 tons of wild hay.

VII. PLANS FOR 1934 AND 1935

Although the 1933 cotton acreage reduction program prevented a major disaster and gave material relief to cotton growers, the supply of cotton is still excessive and cotton prices are still below parity with prices of other commodities. In order to correct this situation, a program has been formulated calling for a reduction in 1934 of 40 percent from the 1928–32 average planted acreage, and making it possible, if necessary in 1935, to bring about a reduction of 25 percent.

Under this plan rental payments will equal 3½ cents per pound of the 1928–32 yield per acre on the land to be left out of cotton production and a benefit payment of not less than 1 cent per pound is to be made on the domestic consumption percentage of the crop of each farmer who cooperates. Also, the contract designates the acreage that may be planted to cotton on each farm as well as the acreage to be left out of cotton production. In no case will farmers be permitted to increase their production of other crops for sale on the land rented to the Government. Lands left out of cotton may be used for the growing of food and feed crops for home consumption and for soil-improvement and erosion-preventing crops. One half, or approximately $50,000,000, of the rental payments are to be made in the spring of 1934 in order to eliminate as far as possible the demand for production credit. The other half will be made at or about picking time so as to help meet the needs for ready cash at that time. (See exhibit 20 of appendix I.)

Reports indicate that farmers throughout the Cotton Belt are ready to cooperate fully. The success of the program of 1933 has given them, as well as the entire citizenship of the belt, confidence in whatever further effort the Government may make to restore sound economic conditions. It is expected that under this program approximately 15,000,000 acres of cotton land will be left out of cotton production in 1934.

The world supply of American cotton for 1933–34 has been determined to be 24,800,000 bales; 1,200,000 bales less than the record supplies of the 2 previous years. Should the acreage of the coming season be restricted to 25,000,000 acres and with production on this acreage somewhat higher than the average of the past 5 years, a more normal situation is in prospect. World consumption of American cotton is likely to approximate 14,000,000 bales during the current season. This would mean that the carryover on next August 1 would be in excess of 10,000,000 bales. But a crop of around 10,000,000 bales on the 25,000,000 acres planted added to this carryover would result in a world supply for the year 1934–35 of around 20,000,000 bales. This would be near the balanced statistical position at which the reduction programs are directed. A normal supply of American cotton for a single year is considered to be around 18,000,000 bales. However, if yields should be excessive in 1934 as they were in 1933, it will be possible and perhaps necessary to require a reduction in 1935 acreage in order to achieve the desired balance between supply and demand. In any event, it will be possible to restrict production in 1935 so as to prevent excessive plantings if a surplus is in prospect. This perhaps is as important as any other fact that may have to do with the future stabilization of the cotton-producing industry.

The estimated collections and expenditures for the cotton program over the entire marketing period from August 1, 1933, to July 31, 1935, are given in table 5.

Table 5.—*Cotton program estimates*

Net Collections:	
Processing taxes	$237,000,000
Compensating taxes	22,000,000
Total net collections	259,000,000
Expenditures:	
Rental and benefit payments	242,236,000
Excess of Collections Over Expenditures for Entire Program	16,764,000

VIII. MARKETING AGREEMENTS AND CODES

In addition to the cotton adjustment program of 1933, the Agricultural Adjustment Administration has sponsored a cotton ginners' marketing agreement, tentatively approved and now in the field for execution. The general objectives of this agreement are to improve prices farmers receive for their cotton and cottonseed, and to reduce ginning charges. It is recognized that a large amount of cotton is damaged annually in ginning. This is due to many factors, chief among them indifferent operation and inadequate equipment. Accordingly the agreement provides minimum standards for ginning equipment and for quality of ginning service. It is also recognized that there is an excess of ginning capacity in the Cotton Belt and that ginning charges can be reduced if this excess capacity is eliminated. There are some 16,000 gins all told. Two thousand of these are inoperative. Of the remaining 14,000, many are only partly operating. However, it is necessary that gins be available to all producers. This required that such factors as distance between gins, and present and prospective production of cotton within each locality be duly considered. In the future the Secretary's approval will have to be obtained before new gins can be established or before old gins can be eliminated.

GINNING CHARGES LIMITED

The agreement fixes maximum rates beyond which charges cannot go anywhere in the Cotton Belt. Charges are to be set within each ginning area. The Secretary holds the right to disapprove any or all rates. All seed must be bought and sold by grade; a community grade is established at definite intervals which aims to strike an average for each ginning community. Ginners must pay 90 percent of the car-lot price for seed, although in no case shall the difference between the price paid producers and the price received exceed $3 per ton for seed of average or better-than-average grade, nor shall the difference exceed $4 per ton for seed of less than average grade. Unfair trade practices, such as the extending of credit without security, the payment of rebates or bonuses for the purpose of injuring competitors, or the use of subterfuges for similar purposes are prohibited. The agreement will also end the practice of buying cotton in the seed, except in the case of remnants. A system of cost accounting involving the keeping of adequate records will be installed. The information thus secured will be helpful, not only for purposes of regulation but for carrying out future programs for production control and for the improvement of production, as will be the case with all information secured in the application of the agreement.

A number of other proposed marketing agreements concerning cotton, cottonseed and its products, and allied commodities and their

products have been filed with the Administration and are under consideration. It has been necessary to make a careful study of the conditions of the respective industries in order to arrive at provisions that will be in keeping with the requirements of marketing agreements and will assist in improving the position of cotton producers.

GENERAL OBJECTIVES OF AGREEMENTS

In general it is considered that these agreements must facilitate adjustment of supplies of agricultural products; raising of producers' prices toward parity; reduction in the cost of handling and processing agricultural products through the elimination of wasteful practices; and improvement in the availability and quality of the services of processors and other handlers of agricultural products. It is also necessary that the marketing agreements concerning various phases of the marketing of an agricultural commodity, or group of agricultural commodities, be considered together so that they constitute a correlated program with respect to the commodities involved. Accordingly, the various proposed agreements with respect to vegetable oils are being considered in relation to each other in order that the actions taken with reference to the several agreements may be consistent. Also, as in the case of the marketing agreements with respect to cottonseed and its products, it is necessary to include provisions which will insure that producers will receive benefits from more efficient practices which will make possible reductions in processing and handling costs. The marketing agreements now under consideration are as follows:

1. Cottonseed crushing industry
2. Cottonseed oil refining industry
3. Oleomargarine industry
4. Linseed oil crushing industry
5. Cotton compress and warehouse industry

A number of codes with respect to cotton, cottonseed and its products, and allied commodities and their products, filed under the National Industrial Recovery Act, are also being studied with a view to correlating them with existing or proposed marketing agreements for the respective industries and with the general program under the Agricultural Adjustment Act, as well as with the general program under the National Industrial Recovery Act. The codes which have been under consideration are:

1. Cotton ginning industry
2. Cottonseed crushing industry
3. Cottonseed oil refining industry
4. Oleomargarine industry
5. Linseed oil crushing industry
6. Vegetable oil crushing industry—Pacific Southwest
7. Cocoanut oil refining industry
8. Cotton compress and warehouse industry
9. Raw cotton trade
10. New York Cotton Exchange
11. New Orleans Cotton Exchange
12. Cotton pickeries industry

CHAPTER 4

WHEAT

SALIENT FACTS OF WHEAT PROGRAM

1. Number of wheat growers who signed applications for 1933–34 adjustment contracts	550, 000
2. Total average acreage planted to wheat by all United States farmers for base years 1930 to 1932, inclusive	65, 958, 000
3. Total average acreage planted to wheat by contracting producers in base years 1930–32	50, 600, 000
4. Percentage of indicated total base acreage (given in item 2 above) signed up under contract (item 3) percent	77
5. Estimated acreage that will be taken out of production during 1933–34 season by contracting producers (15 percent of item 3)	7, 595, 000
6. Estimated net receipts from processing tax of 30 cents per bushel during 1933–34 marketing year	$108, 000, 000
7. Total benefit payments made to contracting producers in 1933–34 marketing year (28 cents a bushel on domestic allotment)	$95, 000, 000
8. Available from processing tax for surplus wheat removal	$8, 000, 000
9. Bushels of wheat to be purchased for export by the Pacific Emergency Export Association	35, 000, 000
10. Carry-over on July 1, 1933, in bushels	389, 000, 000
11. Probable carry-over July 1, 1934, in bushels	300, 000, 000
12. Estimated income from 1933–34 wheat crop, including benefit payments	$376, 000, 000
13. Income from 1932–33 wheat crop	$169, 000, 000
14. Maximum seeded acreage for United States under World Wheat Agreement	55, 859, 000

The wheat production control plan now operating throughout the United States in accord with world agreement is the outgrowth of a long chain of circumstances and more than 5 years' preparatory thought and effort.

In essence it is the voluntary domestic allotment plan, first proposed by the late W. J. Spillman, of the United States Department of Agriculture, in 1927, and afterward refined and developed especially in terms of wheat by M. L. Wilson, of Montana, and others. In varying degrees, the voluntary domestic allotment technique, authorized with accessory devices by the Agricultural Adjustment Act of May 12, 1933, is being applied to all present efforts of crop adjustment in the United States, but in the main the wheat plan accords most closely with the original domestic allotment design.

A detailed plan of field operations, with county wheat production control associations and complete local responsibility for correct allotments, was ready to be put into operation more than a year before the Agricultural Adjustment Act was made a law. M. L. Wilson, then on the Montana State Agricultural College staff, and a committee of northwestern farmers and business men were the leading advocates of the method. Their representations aroused wide interest, both within this country and without. Mr. Wilson held informal conversations with Canadian officials at Ottawa. Argentinian officials also expressed interest. These first wholly unofficial approaches toward a cooperative world understanding as to surplus wheat stocks were made in 1932 before the present national administration came into office.

In a speech at Topeka in September 1932 Franklin D. Roosevelt expressed himself in favor of principles which characterize the domestic allotment method of lowering farm surpluses and restoring farm buying power. When, upon passage of the Agricultural Adjustment Act, the Agricultural Adjustment Administration was formed, Mr. Wilson was named Chief of the Wheat Production Section. He served actively as such until the new social machinery for controlling wheat acreage was completed and set into motion. Then the President asked him also to become Director of the Division of Subsistence Homesteads in the Department of the Interior, his present position.

Such haste as marked the 1933 cotton campaign was deemed after thorough consideration to be neither advisable nor necessary in the case of wheat. With a world carryover of 640,000,000 bushels, more than half of it in this country, with American wheat prices lower and American bread lines longer than at any previous time in our history, the situation was crucial and demanded national action; but an unusually small 1933 American wheat crop lessened the need of a drastic acreage reduction, made in haste. Most American wheat is sown in the fall. This fact gave the Administration the spring and summer during which to organize a reduction effort with great thoroughness, township by township, farm by farm, throughout the greater part of the Nation.

Before detailing the steps of this unprecedented cooperative effort, wherein 550,000 American farmers joined 1,450 county or district wheat production control associations, and agreed to reduce their 1934 wheat sowing a total of 7,595,000 acres, let us briefly review the fantastic world circumstances which made such a massed adjustment necessary.

I. FROM GRASS TO GRAIN

Here on this continent and throughout western Europe the industrial revolution of the nineteenth century was accompanied by the plowing down of native grasslands and their transformation into fields of cultivated crops, notably wheat. This was accompanied by great technological advances which at their extreme development, in our western dry land wheat areas, reduced the human labor necessary to grow and thresh wheat to one fiftieth of the former labor requirement.

For many years growing cities, here and elsewhere, insatiably absorbed the mounting product of our farmers' widened fields and advancing efficiency.

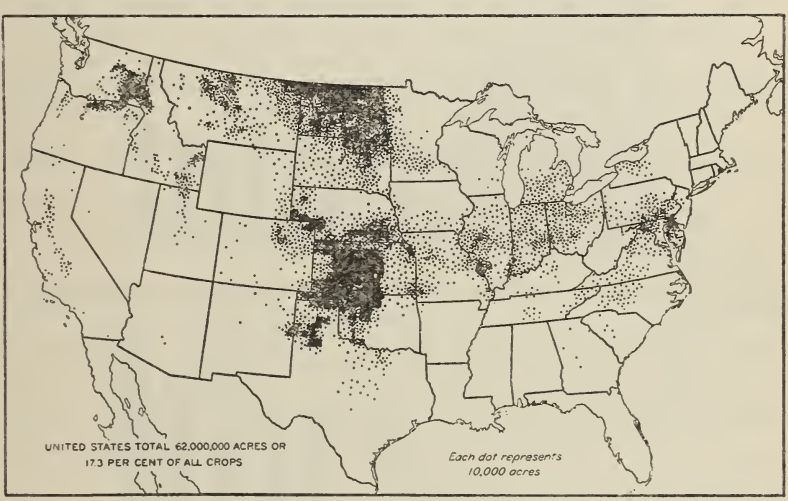
In the closing years of the nineteenth century wheat production and acreage in the United States still were trending upward. Annual

production of about 700,000,000 bushels was readily absorbed by domestic and foreign markets. Population was increasing because of a fairly high birth rate and almost unrestricted immigration. This indicated a continual increase in the domestic demand for wheat. The same conditions were found in other wheat-exporting countries, especially Canada, Argentina, and Australia. At that time it appeared that the world would continue to absorb all the wheat offered in the world market, and at prices fairly remunerative to the farmer.

WORLD WAR BROUGHT CHANGE

The World War changed the picture. Under the stimulus of European demand, all the wheat-exporting countries expanded their acreage. In the United States development of farm machinery and replacement of work animals by mechanical power not only opened up to profitable wheat production thousands of square miles in the Great Plains region, but permitted millions of acres which had been used to grow feed for animals, to be used in producing food—notably wheat—for men. Wheat acreage harvested in the United States in 1929 is shown in chart 5.

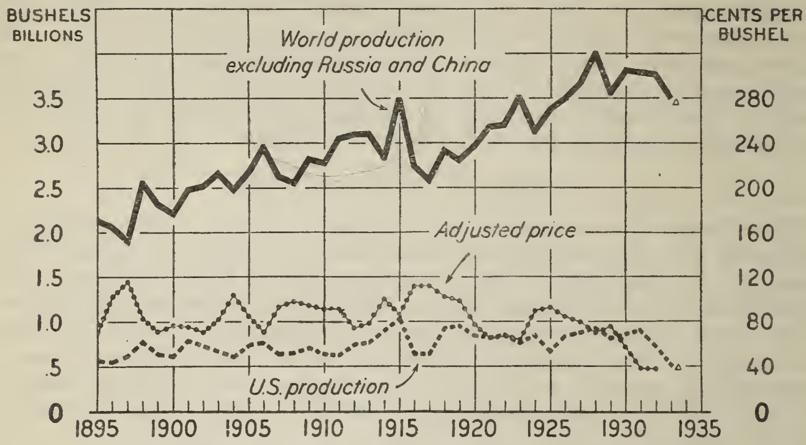
Chart 5.—Wheat Harvested—Acreage, 1929



While wheat production was trending upward as shown in chart 6, domestic consumption in the United States decreased. When the World War began, the annual per capita consumption of wheat as human food in the United States was 5.6 bushels. War necessity and war psychology resulted in a shift to wheat substitutes and at the same time there was a trend toward consumption of fresh vegetables in place of some of the wheat which had previously been used in the American diet. By the end of the war, annual per capita wheat consumption as food in the United States had dropped to 4.6 bushels and it did not rise again after the war ended.

Meanwhile a significant change was taking place in the international debt situation.

Chart 6.—Wheat: United States and World Production, and United States Adjusted Farm Price*, 1895 to Date

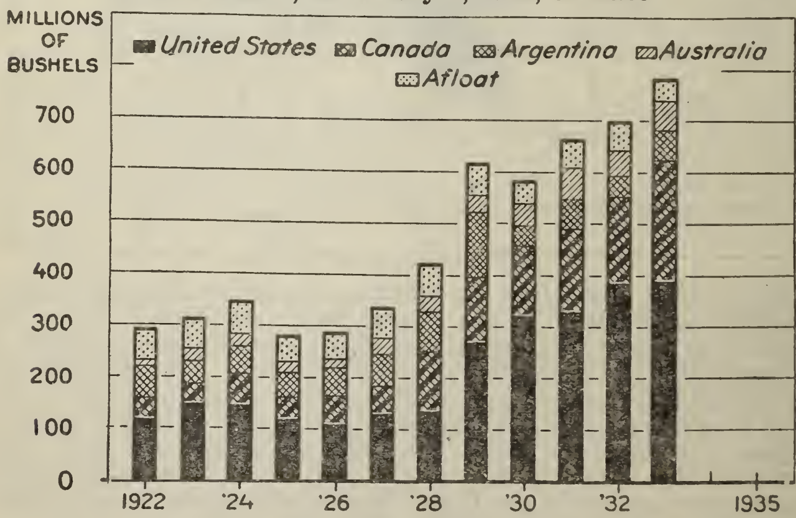


*DEC. 1 FARM PRICE ADJUSTED TO 1910-1914 PRICE LEVEL △PRELIMINARY

UNITED STATES BECAME A CREDITOR NATION

Throughout all its years of development, the United States had been a debtor Nation, heavily in debt to foreign countries. Paying these debts with agricultural commodities provided an outlet for our farm surpluses. At the beginning of the World War the United States owed foreign debts totaling some $3,000,000,000. During the war, the United States Government, as well as private agencies, began to lend money to foreign governments and enterprises, and at the end

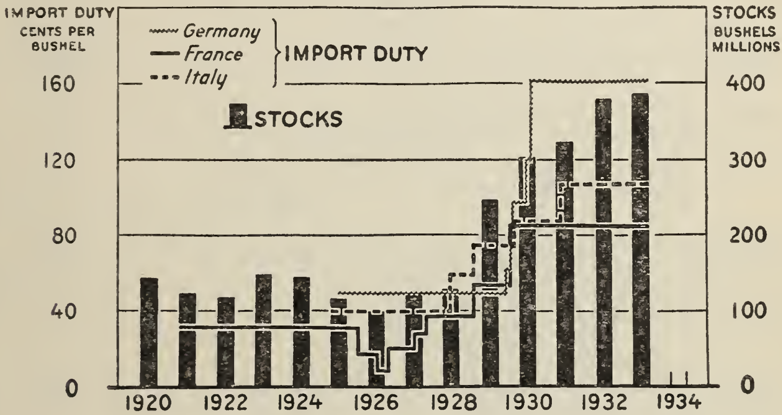
Chart 7.—Wheat: Carryover in Principal Exporting Countries and Afloat, as of July 1, 1922, to Date



of 1919 foreign nations owed us about $14,000,000,000. A makeshift policy of making commercial loans abroad was continued until 1929, then abruptly terminated. The termination contributed to a price collapse of all our export commodities, including wheat.

When foreign demand for American wheat declined, the United States began to accumulate a catastrophic surplus. The carryover on hand July 1, 1929, was close to 300,000,000 bushels. Chart 7 shows how, after 1929, the carryover for both the United States and the world increased. The United States carryover alone increased to nearly 400,000,000 bushels. The relation of this carryover to the reduction in foreign markets is shown in chart 8, and the condition displayed reflects in part a reversal of tariff policies in countries which formerly had bought American wheat in large quantities. As Germany, France, and Italy increased their own production of wheat they raised tariff and other trade restrictions against wheat from all other parts of the world, including this part. Surpluses in this country piled up.

Chart 8.—Foreign Import Duties on Wheat and United States Stocks of Wheat, July 1, 1920–33



European nations that had normally been importers of wheat raised these barriers of necessity. As debtors, fearful of another war, they were unable or unwilling to buy any food supplies abroad which, under pressure, could be produced at home. The debt situation made it impossible or difficult for them to pay for such supplies. Fear of further wars and blockades made them wish, with a high degree of emotional intensity, for bread at hand.

Germany, Italy, and France, among other nations, have subsidized, in one way or another, their wheat producers. Chart 9 shows how United States wheat exports declined as production increased in European countries.

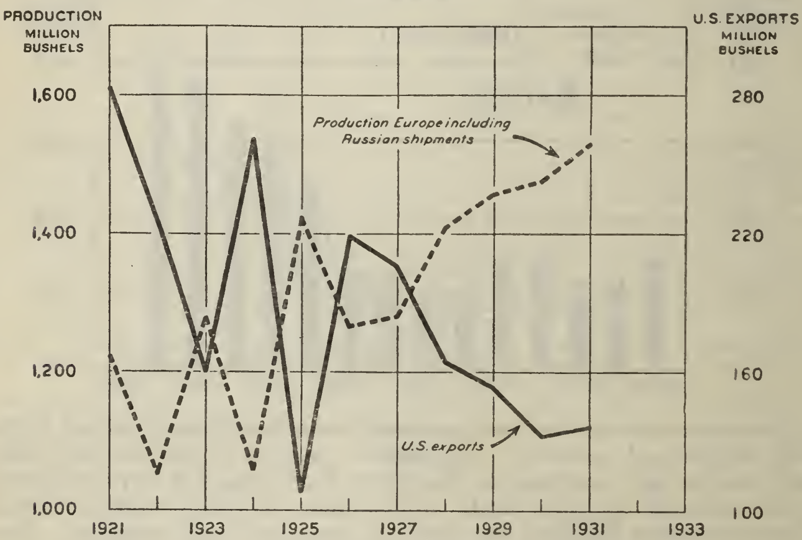
II. MAPPING THE ADJUSTMENT PROGRAM

Such, briefly, was the wheat situation when the Agricultural Adjustment Act was passed. Before a plan for utilizing the powers granted under the act was adopted, the various organized groups interested in producing, processing, and distributing wheat and its products were consulted. On May 26, 1933, upon the call of the Agricultural Adjustment Administration, an informal conference was held at Washington. Among the groups represented were: The American Farm Bureau Federation, the National Grange, the Farmers' Educational and Cooperative Union, and other national farmers' organizations;

the Farmers' National Grain Corporation and other cooperative wheat marketing organizations; the Grain Committee on National Affairs, representing 10 boards of trade; the Terminal Grain Merchants' Association of the United States; the Grain and Feed Dealers' Association; the various regional millers' organizations; the Association of Feed Manufacturers; the American Bakers' Association; the Macaroni Manufacturers' Association; the Association of Bakers; the National Federated Flour Clubs; and the National Wholesale Grocers' Association.

The conference was attended by the Secretary of Agriculture, the Administrator and Coadministrator of the Agricultural Adjustment Act, and representatives of the Wheat Section of the Agricultural Adjustment Administration.

Chart 9.—Wheat: United States Exports and Production in Europe



PROPOSALS DISCUSSED

One plan discussed in detail at the conference contemplated the rental and retirement of enough wheat acreage to bring production down to a point which would prevent impending increase in carryover and a consequent reduction in price. This would have involved plowing down or abandoning growing wheat. The plan was regarded as a temporary expedient to be followed by some more thorough-going method of production control. But when it was seen that the 1933 crop was to be so reduced by weather conditions that no acreage reduction would be needed, this device was abandoned.

A second proposal was this: To make adjustment payments to our producers on the basis of the wheat they marketed during the crop year 1933. It was recognized, however, that because of crop failure over large areas, payments would have been made in areas producing a crop in 1933, and therefore not to the areas most needing assistance.

The third plan considered was the domestic allotment plan for making payments to each wheat producer on the basis of his propor-

tionate share of the national production that was domestically consumed, in consideration of his agreement to reduce his acreage in 1934 and 1935 by such percentage, not to exceed 20 percent, as the Secretary of Agriculture should determine.

The large majority of the groups represented at the conference recommended that the Adjustment Administration adopt and put into effect the domestic allotment plan and take immediate steps to make payments to growers who agreed to cooperate. All groups pledged support for whatever plan was adopted.

FEATURES OF THE PLAN CHOSEN

On June 20, 1933, the Secretary of Agriculture announced that production adjustment payments would be made with respect to wheat as a basic agricultural commodity. After further consideration the Secretary announced, with the approval of the President, a plan containing the following main provisions:

(1) Adjustment payments annually on the 1933, 1934, and 1935 wheat crops, to producers entering into contracts with the Secretary of Agriculture to reduce their wheat acreages for 1934 and 1935.

(2) Payments for the 1933–34 marketing year to amount to 28 cents per bushel on that portion of each producer's base production corresponding to the portion of the total national production which is ordinarily consumed domestically. This portion was found to be approximately 54 percent.

(3) The contracting producer to agree to reduce his wheat acreage as required by the Secretary of Agriculture, but by not more than 20 percent of his average acreage for the 3-year base period, and to sow in a workmanlike manner an acreage sufficient to produce, under normal yield, the amount in bushels allotted to him.

(4) A processing tax to be levied upon the first domestic commercial processing of wheat (defined in the Adjustment Act as the milling of wheat) to provide funds for making production adjustment payments and for other purposes.

(5) Acreage and production allotments for States, counties, and individual contracting producers to be determined.

(6) County or district wheat production control associations to be organized. While this plan was being formulated in Washington, events in the world wheat situation served to focus attention upon the United States' wheat program and to increase its importance.

III. WORLD WHEAT AGREEMENT

In the summer of 1933 a World Economic Conference was held in London. All of the great wheat-growing countries of the world were represented. At this conference the world wheat situation was one of the important matters considered.

In May of 1933, preliminary discussions on wheat, looking toward an international agreement, had taken place among important wheat-producing countries at Geneva. Argentina, Australia, Canada, and the United States were formally represented at this meeting, which was held at the invitation of the economic section of the League of Nations. Following the preliminary discussions at Geneva the wheat conference continued at London concurrently with the World Economic Conference, and the important wheat-importing countries as well as the exporting countries were brought into the discussion.

As a result of these discussions an international agreement was approved and signed by all the important wheat exporting and importing countries, including the Union of Soviet Socialist Republics, on August 25, 1933. The agreement provided that the exporting countries should take steps to control their production or exports, and included a definite limitation of the quantities exported from the 1933-34 crop. It also provided that the importing countries should take steps to increase the consumption of wheat and, as rapidly as possible, should reduce the barriers against its importation.

The wheat export quota for Russia was not finally decided in the agreement as signed, but was left to be determined in subsequent negotiations. The Union of Soviet Socialist Republics signed, however, as party to the agreement and indicated its intention of assisting in the general policy of preventing excessive pressure upon international wheat markets. The minimum export quota for 1933 and 1934 for each of the major exporting countries, subject to increase if import demand warrants, was fixed as shown in table 6.

TABLE 6.—*Export quotas, world wheat agreement*

[In millions of bushels, i.e., 000,000 omitted]

Country	Quotas			Actual exports	
	1933–34	1934–35	Average, 1933–34 and 1934–35	Average, 1928–29 to 1932–33	Average, 1930–31 to 1932–33
Argentina	[1] 110	[1] 148	129	155	129
Australia	[1] 105	[1] 150	128	123	148
Canada	200	263	231	268	245
United States	47	90	68	110	89

[1] In case 1933–34 exports fall below the assigned quota, the 1934–35 quota will be correspondingly increased.

The basis of agreement for reduction of wheat acreage by the signatory countries regards the crop years 1931–32, 1932–33, and 1933–34 as the base period. This period is 1 year later than the base period adopted for the United States wheat program. Canada and the United States pledged a reduction equal to 15 percent of the acreage of the base period 1930–31, 1931–32, and 1932–33, while Argentina and Australia pledged themselves to reduce exports to an equivalent amount, without increasing stocks in storage.

The wheat-importing countries entered into the agreement on a basis of mitigation of their import restrictions and quotas, based upon the gold price of wheat in London.

Several signatory countries have already taken steps to make their quotas effective. France has passed a statute regulating further increase in wheat acreage and has modified regulations on flour milling. Germany has announced her intention of applying similar control to wheat production. Australia has developed a measure regulating export of wheat, while Argentina and Canada are actively considering means by which they will make effective their adherence to the international agreement. The acreage reduction plan adopted by the Agricultural Adjustment Administration put the United States in position to conform to its commitments under the London agreement, either by acreage reduction already under contract or by ex-

tension of the program. The Department of Agriculture has several times stated that it will take such steps as necessary to fulfill the American agreement to reduce acreage by the full 15 percent, and the first of these steps was taken with the launching of the adjustment program.

IV. EXECUTING THE ADJUSTMENT PROGRAM

In late June and early July 1933 four regional conferences on the wheat program were held at Kansas City, Mo.; Spokane, Wash.; Fargo, N.Dak.; and Columbus, Ohio. These conferences informed the State agricultural extension staffs on the basic features of the program and they also provided the Adjustment Administration with vital information on special regional problems and necessary adaptations. Nine States, Kansas, Iowa, Missouri, Nebraska, Colorado, Wyoming, Oklahoma, Texas, and New Mexico, were represented at the Kansas City conference; 5 States, Oregon, Washington, Idaho, Utah, and California were represented at the Spokane meeting; 4, North Dakota, South Dakota, Minnesota, and Montana, had representatives at the Fargo meeting; and 15, New York, Pennsylvania, Delaware, New Jersey, Maryland, West Virginia, Virginia, North Carolina, Kentucky, Tennessee, Ohio, Michigan, Indiana, Illinois, and Wisconsin, were represented at the Columbus conference.

In preparation for the program a broad educational campaign, designed to give every wheat grower in the country an opportunity to learn the details of the plan, was carried out with cooperation of the Extension Service. County agricultural extension agents were already functioning in most counties in the wheat producing regions, and 524 temporary emergency agents were employed for service in counties without regular agents. They were employed from lists of eligibles submitted by the Civil Service Commission, and were engaged on a temporary, 3-month basis.

MANY AGENCIES COOPERATED

Newspapers and farm journals, radio stations, and other agencies cooperated in the program. Circular letters, charts, and other visual aids were utilized to the fullest extent. Community meetings and personal visits by extension agents and volunteer committeemen made contacts with wheat growers.

In typical local educational campaigns, beginning was made by the appointment of temporary county educational campaign committees with 7 to 9 members, usually leading wheat growers. The committees served only until the formal organization of county or district wheat production control associations. Under the leadership of these committees, advising and assisting the extension workers, counties were divided into local units as bases for local meetings and intensive coverage, and to serve as a foundation in later organization of the county or district association. Circulation of information through all available channels followed the organization of the local units, and local meetings for beginning the permanent organization of production control associations were held. When these permanent associations were organized, they took over the local administration of the program and the work of the preliminary campaign committees ended.

In August the Adjustment Administration issued and distributed 100,000 copies of a 74-page bulletin, the Handbook of Organization

and Instructions for County Agents, Community Committeemen, Officers of County Wheat Production Control Associations, and Farm Leaders, for Applying the Agricultural Adjustment Act to Wheat.

Printed instruction sheets, record forms, certification blanks, and applications and contracts were printed at the Government Printing Office in Washington and sent into the field. A total of more than 35,000,000 pieces of this material was required. These forms, as well as the informational material, were distributed through the State agricultural extension services and the county agents to the meetings of farmers in all wheat-growing regions.

FORMAL APPLICATION REQUIRED

Each wheat producer desiring to enter into a contract to reduce his acreage in consideration of benefit payments was required to execute a formal application for such a contract. These applications served as a basis for membership in county or district wheat production control associations, responsible for determination of individual allotments, and also furnished data on individual production and acreage.

The application form carries a brief statement of the wheat plan, defines terms, gives the applicant's own statements of his crop acreages in 1933 and his acreage and production of wheat during the base period, and shows the relationship, if any, between landlord and tenant. (See exhibit 21 of appendix I.)

The contract itself is based upon information given in the application, and includes statements of wheat acreage during the base period, the average annual wheat acreage, the smallest wheat acreage, and the individual allotment in bushels. The agreement contains 19 provisions. They include the grower's pledge to reduce his acreage in 1934 and 1935 in the amounts required by the Secretary of Agriculture; to refrain from devoting the contracted acreage in 1934 and 1935 to the production for sale of any nationally produced agricultural product; and to limit the production of wheat on land owned by him but not covered by the contract. (See exhibit 22 of appendix I.)

Wheat Regulations, Series II, issued by the Secretary of Agriculture with the approval of the President, pursuant to section 10(c) of the Agricultural Adjustment Act, define terms used, prescribe the manner of organizing county or district associations and paying their expenses, and lay down the method of determining individual allotments. Under these regulations are included articles of association for the local organizations with membership made up of contracting producers. Committees of these associations, called county allotment committees, are empowered under the regulations to determine base acreage, base production, and allotment of each applicant in the county or district.

SUMMARY OF ACCOMPLISHMENT

The results of the campaign for wheat production control took both economic and social form. Of the 1,200,000 wheat producers of the country, 580,000 signed applications for contracts to participate in the program, and over 550,000 signed the contracts. The wheat acreage covered by these contracts totaled over 50,600,000 acres, or 77 percent of the wheat acreage of the United States for the base period 1930–32.

The acreage removed from production, as pledged in these contracts, amounts to 7,595,000 acres, or 11.5 percent of the average annual acreage during the base period.

It is significant that the percentage of wheat growers who signed the reduction contracts was highest in the States which are the largest producers of wheat. Kansas, planting during the base period more than 3,000,000 acres per year more than the nearest competing State, reported 91 percent of the wheat farmers signed up. North Dakota, ranking next to Kansas in acreage, reported 93 percent of the growers signing contracts. Oklahoma, third in average annual acreage, had 79 percent of her growers on the contracts; Montana, a close fourth in acreage, reported an 87 percent sign-up; Texas, fifth in acreage, had a 77 percent sign-up; and South Dakota, sixth in acreage, reported a 93 percent sign-up.

In the process of carrying through this campaign, farmers were brought into cooperative action and into individual and group realization of the problems facing their industry, to a degree which they had never reached before. The outward evidence of this group realization and action was the organization, among farmers who signed the contracts, of 1,450 county and district wheat production control associations covering 1,700 counties.

Local administrative work delegated to the officers and committees of these associations included checking and adjustment, where necessary, of individual farmers' estimates and reports on acreage and production. The associations and the committees within them formed effective channels through which information on the national and world situation of wheat was transmitted to the growers themselves, providing them with a basis for intelligently planning their own operations.

FARMERS' CASH INCOME INCREASED

The outstanding direct result of the plan and its execution, insofar as agricultural income was concerned, was the addition, up to December 31, 1933, of nearly $18,500,000 in cash in adjustment payments to cooperating wheat growers. The distribution of the first installment of these payments amounting to 20 cents per bushel on the domestic allotment of each producer, began on November 1. It had reached full speed at the end of the calendar year and is scheduled to continue until a total of approximately $66,500,000, completing the first instalment, has been paid to farmers.

The second installment, from which will be deducted the local administrative expenses of the program, will amount to 8 cents per bushel on the allotment and will be payable in 1934 when proof has been given that the contracts to reduce sowings have been fulfilled. The second installment will bring the total payments up to about $95,000,000. Checks are mailed from Washington to the treasurers of production control associations and distributed by them to the members of the associations.

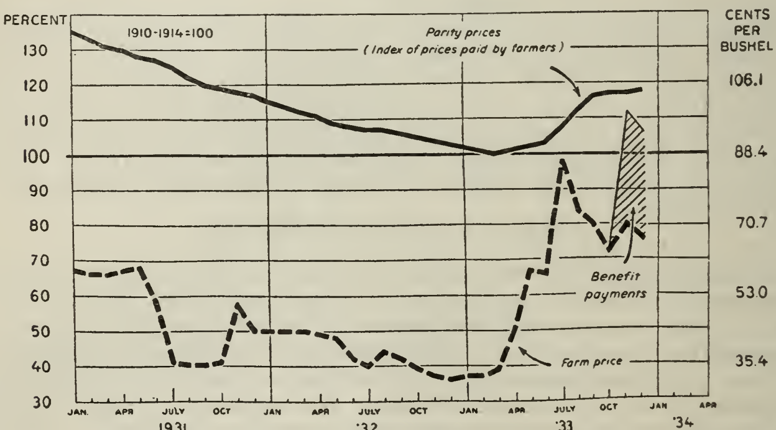
The Agricultural Adjustment Administration, with the cooperation of the Agricultural Extension Service, is distributing record forms that will cover the production and disposition of basic agricultural commodities on the farms whose owners have signed contracts to reduce production. These records will be used in establishing the proof of compliance with the contracts. Provisions are also being

made for inspecting and supervising the contracted fields in order to assure compliance with the agreements.

Not only do the benefit payments add directly to the income of wheat growers, but the program, in combination with other factors, has exerted additional and significant upward influence on that income. The average farm price for the 1931–32 marketing year was 39.1 cents per bushel; in 1932–33 it was 38.6 cents a bushel. In 1933–34 the adjustment program, the crop shortage, the monetary and credit activities of the Government, and other factors operated to raise this price. On the basis of statistics covering 7 months of the crop year, during which 80 percent of the wheat was sold by its producers, the 1933–34 farm price is estimated at 74.1 cents a bushel.

The estimated gross income from the sale of wheat on the market—not taking adjustment payments into account—will be over $281,-000,000 for the 1933–34 crop year as against only $169,000,000 for the previous marketing year. This increase in market return coupled with the benefit payments shows a total increase in wheat farmers'

Chart 10.—Farm and Parity Prices of Wheat and Benefit Payments



income in 1933–34 of some $207,000,000 over the income from the same enterprise in 1932–33. It is noteworthy in this connection that wheat production in the United States in 1933 is estimated as being some 230,000,000 bushels less than the production in 1932.

CARRYOVER REDUCED

The carryover of American wheat on July 1, 1933, was estimated at 389,000,000 bushels. Figures and estimates from the Bureau of Agricultural Economics, covering wheat stocks in the United States at the end of 1933, and the probable requirements for milling, feeding, and seeding, indicate that the corresponding carryover on July 1 of 1934 will be 300,000,000 bushels or less. Surplus of domestic wheat available for export or carryover in the United States totaled 437,-000,000 bushels on January 1, 1932, dropped to 400,000,000 bushels on the same date in 1933, and to probably 305,000,000 bushels on January 1, 1934.

An analysis of the results of the wheat campaign, checked with the December 1933 estimate made by the Crop Reporting Board of the Department of Agriculture, shows that winter wheat acreage for the country as a whole was 7.2 percent under the revised 3-year average base acreage, in spite of increased plantings by some noncooperating farmers.

During 1930–32, the base period, 82 percent of the winter wheat acreage of the United States was in 11 States. The Crop Reporting Board found on December 1 that in these 11 States the acreage had been reduced by 3,267,000 acres, with only winter-wheat seeding reports considered. The report of the board showed that in 18 States acreage has been reduced by a total of 3,896,000 acres; in 18 other States, which among them included the remaining 18 percent of the normal winter-wheat acreage, there was a total increase of 712,000 acres. No basis for estimating 1934 spring wheat plantings will be available until later.

In order to meet the terms of the international wheat agreement it is necessary that the acreage of wheat in the United States be reduced by 15 percent from the average acreage for 1931–33. (It should be noted that these are different years than the ones chosen for the base period for American wheat reduction, which are 1930–32.) To meet this requirement it may become necessary to reduce the planting more than has been provided for in the agreements thus far signed. Two methods for accomplishing this have been considered.

One amounts to an extension of the present allotment contract, applying to those producers who could not or did not meet the terms of the agreement as proposed and executed during 1933. For various reasons some wheat producers who desired to sign were unable to qualify as eligible to enter into the agreement in 1933. Consideration is now being given to the possibility of so modifying the contract that they may sign it. Numerous requests for permission to sign the contract have been received from producers thus situated.

A second method would provide for further reduction of acreage, with corresponding increase in benefit payments to producers who have already signed the agreement.

ADVISORY COMMITTEE APPOINTED

In July a National Wheat Advisory Committee was appointed to assist the Adjustment Administration officials with advice on the national program, on regional problems, on matters of policy relating to special farm groups, and on other special problems. Members of the committee were so chosen as to provide for regional representation of the important wheat-producing territories, and with regard to their special knowledge of production, processing, and distributing wheat and its products. The committee includes 1 representative for the region east of the Mississippi River, 1 for the spring-wheat region of the Northwest, 1 for the South Central region, and 1 for the Pacific Coast region.

On recommendation of the Division of Crop and Livestock Estimates of the Department of Agriculture, State boards of review were established in the wheat States to revise the work of the county allotment committees and advise these committees on corrections and adjustments in applications and contracts required before the contracts were forwarded to Washington. The size of the board

and its personnel were left to the State extension director in each State, except that the Federal statistician for the State was, in each case, a member of the board.

In Washington there was established a County Acceptance Unit, consisting of 4 agricultural leaders, 4 agricultural extension specialists, and 4 State agricultural statisticians. The duty of the unit is to serve as a review board and pass upon contracts from each county before they are forwarded to the Contract Records Section of the Adjustment Administration for audit and thence to the Comptroller's Office for payment.

ACREAGE AND PRODUCTION ESTIMATES ADJUSTED

Three types of adjustment in estimates of base acreage and production were made in connection with the establishment of State, county, and individual allotments.

First, the Crop Reporting Board, Division of Crop and Livestock Estimates, Department of Agriculture, found it possible and advisable to revise, for some States, its official estimates for the years constituting the base period Crop estimates are always subject to revision when checked data become available.

These revisions, which were more thorough and extensive than usual, were based upon new and exhaustive studies, especially of railroad shipping records, and new data obtained from the applications for contracts. For lack of funds and for other reasons such information had not previously been available to the Crop Reporting Board for all the wheat-producing States.

In the past several years there has been a definite shift, westward, of wheat growing. As a result of this shift and of the inevitable time lag between actual planting and the accumulation and compilation of acreage statistics, the estimates of the Crop Reporting Board on acreage in western areas tended to be lower than the actual acreage, while the estimates for eastern areas tended to be higher.

As a result of obtaining these new data the Crop Reporting Board increased its official estimate of seeded acreage of wheat for the period 1930–32 by about 2.8 percent. Of this total increase about 54 percent was accounted for by changes in figures for Kansas, and about 23 percent by changes in figures for Texas. Material changes were also made in the estimates for New Mexico, and smaller changes in the figures for some other States.

The second type of adjustment was in estimates for counties. Previously the Crop Reporting Board had not been able, for many States, to distribute its State estimates on a county basis. Tentative estimates, by counties, on acreage and production were prepared by the Division of Crop and Livestock Estimates before the launching of the wheat campaign. These were studied and modified when required, as rapidly as the necessary studies, especially of railroad shipments from counties, could be made, and in the light of statements from growers, as checked by State boards of review.

The third adjustment was in reports by farmers, on their acreage and production during the base period. Few farmers had accurate records of their production during the entire base period and, in some States, the individual reports tended to be larger than the official estimates for counties or States would justify. Many such excess reports were eliminated in the course of the adjustments made by the county

allotment committees after the Department of Agriculture officials and the State boards of review had called the attention of the county committees to the discrepancies.

SOURCES OF ERROR

Some of the sources of error in the individual reports were:

(1) Rounded acreage figures for quarter sections of land were put down, without allowance for acreage taken up by roads, fence rows, waste land, and other features; (2) acreages that had been fallowed 1 or more years during the base period were put down as having been seeded to wheat; (3) acreages made ready for wheat but not actually sown were listed as having been in wheat; (4) acreages broken out of sod and sown to wheat 1 or 2 years during the base period were listed as having been in wheat throughout the period.

The great majority of the excessive statements were unintentional and were due to carelessness or errors of memory in the absence of records.

SUMMARY OF REVISIONS

The following summary indicates the nature of the revisions made in the different States:

California.—No change in official estimate for State; numerous minor revisions in county allotments; individual allotments revised downward in several counties; exceptions, granted by county allotment committee in Colusa County, resulted in overrun now being studied by County Acceptance Unit.

Colorado.—No change in official estimate for State; all county allotments studied by State board of review and revised where necessary.

Idaho.—No change in official estimate for State; some county readjustments made; 5 percent reduction in estimates of producers in Elmore County made by county allotment committee at request of County Acceptance Unit.

Illinois.—No change in official estimate for State; readjustments in acreage and production figures made for Cass, Clay, Cumberland, Gallatin, Effingham, Marion, Mason, Menard, Monroe, Sangamon, and Union Counties by State board of review with consent of county committees; State board of review has not yet approved contracts from Douglas County.

Indiana.—No revisions.

Iowa.—No changes in official estimates for State; Des Moines County allotment committee made 2.5 percent reduction in acreage and 5 percent reduction in production figures, at request of County Acceptance Unit.

Kansas.—Federal estimate of 3-year average acreage increased by Crop Reporting Board from 12,541,300 acres to 13,516,000 acres after exhaustive check; original estimate of 5-year average production, 169,176,400 bushels, was raised to 177,431,200 bushels; producers' estimates by counties reduced to conform to revised official estimates, either by revision of individual reports or by horizontal reductions made by county allotment committees.

Kentucky.—No revision of official estimate for State; Marion County allotment committee agreed to reduce applicants' acreage claims by 10 percent to conform to official acreage figure.

Michigan.—No revisions.

Minnesota.—No changes in official estimate for State; all excessive individual claims corrected in accordance with evidence, upon request of State board of review; additional horizontal cuts made in 6 counties; Clay County production cut 6 percent, Stevens County production cut 14 percent, horizontal acreage cuts in Stearns, Wilkin, and Traverse Counties, of 10, 12, and 14 percent, respectively.

Missouri.—No change in official estimate for State; readjustments in State estimates for St. Charles, Howard, and Perry Counties resulted in cuts of 8 percent on production in Howard County, 5 percent in both production and acreage in Perry County, while new estimates for St. Charles were higher than producers claimed.

Montana.—Federal estimates for State revised upward; readjustments of State estimates among counties, and reduction of county and individual allotments made by State board of review and county allotment committees.

Nebraska.—No revision of Federal estimates for State; excessive production claims for counties reduced to measured basis by State board of review; estimates for some counties exceed official estimate, but the figure for the State as a whole is within the official estimate.

New Mexico.—Federal estimate for State production revised upward from 1,775,000 bushels to 2,240,000 bushels, and acreage estimate also revised. County and individual estimates well within revised official estimates.

North Dakota.—Federal acreage estimate revised upward by 2.7 percent; county estimates on acreage exceed official estimates by about 3 percent.

Ohio.—No change in official figures for State; minor readjustments among counties.

Oklahoma.—No change in Federal figures for State; official figures for nine counties revised; applicants' figures in many western counties revised downward from 3 to 22 percent by county committees in cooperation with State board of review.

Oregon.—No change in Federal estimate for State; some readjustment of official figures for counties, on basis of proven acreage and production figures.

South Dakota.—No change in official estimates for State; counties exceeding official county estimates cut approximately 2 percent by State board of review to reduce them to measured basis; further cuts in acreage of 5 percent in Lawrence County and 2 percent in Day County, and cuts in production of 3 percent in Grant County and 3 percent in Codington County, were made by County Acceptance Unit with agreement by county allotment committees.

Texas.—Federal acreage estimates revised upward from 3,929,000 acres to 4,346,300 acres, and Federal production figures revised upward from 37,749,000 bushels to 41,082,600 bushels; reduction in applicants' estimates were made in all counties and horizontal cuts were made in a few counties.

Washington.—Official estimates for State not revised; official tentative estimates for counties revised to conform to proven reports by producers; county figures reduced by county allotment committees in five counties.

Wisconsin.—No revisions.

WYOMING.—No revision of official estimates for State; three counties submitted claims in excess of official estimates for counties; revisions were made in seven counties.

In other States participating in the wheat program no changes were made in official figures and no readjustment was made among counties.

Table 7 shows the preliminary United States Department of Agriculture official base-period average acreage and production estimates for wheat, on which the tentative State production allotments were based at the beginning of the wheat production control campaign. It also shows the final and official Department of Agriculture estimates as revised in December 1933, on which the final State production allotments have been based.

TABLE 7.—*Wheat acreage estimates, tentative and revised*

State	Preliminary official estimates used as tentative basis for wheat allotment, July 1933			Revised official estimates used as final basis for wheat allotment, December 1933		
	All wheat—seeded acres		All wheat—production bushels	All wheat—seeded acres		All wheat—production bushels
	Average, 1930–32	Average, 1928–32	1928–32	Average, 1930–32	Average, 1928–32	1928–32
Alabama	4,000	3,200	34,400	4,000	3,200	34,400
Arizona	25,000	23,200	564,600	28,300	25,200	602,400
Arkansas	30,000	26,400	247,200	30,000	26,400	247,200
California	694,000	735,000	11,052,800	677,000	724,800	11,046,400
Colorado	1,754,700	1,878,000	17,024,000	1,754,700	1,878,000	17,111,200
Delaware	94,300	99,200	1,799,600	94,300	99,200	1,799,600
Georgia	52,000	55,200	510,400	52,000	55,200	510,400
Idaho	1,174,300	1,236,200	27,487,600	1,174,300	1,236,200	27,487,600
Illinois	1,879,000	2,284,200	31,558,200	1,970,700	2,339,200	32,532,400
Indiana	1,646,000	1,791,400	26,464,600	1,652,300	1,795,200	26,522,200
Iowa	369,300	425,000	7,445,200	369,300	425,000	7,445,200
Kansas	12,541,300	12,625,000	169,176,400	13,516,000	13,290,200	177,431,200
Kentucky	258,700	273,800	3,002,000	258,700	273,800	3,002,000
Maine	2,300	2,400	51,400	2,300	2,400	51,400
Maryland	439,300	468,600	8,647,800	439,300	468,600	8,647,800
Michigan	718,700	765,800	15,523,200	719,000	766,000	15,522,600
Minnesota	1,335,700	1,425,400	20,679,600	1,367,700	1,444,600	20,946,200
Mississippi	------------	400	2,600	------------	400	2,600
Missouri	1,453,700	1,637,600	19,634,200	1,535,700	1,686,800	20,362,400
Montana	4,445,700	4,536,600	45,167,400	4,445,700	4,536,600	45,167,400
Nebraska	3,633,700	3,825,600	56,701,200	3,674,300	3,844,800	56,537,600
Nevada	15,000	15,000	377,600	15,000	15,000	377,600
New Jersey	50,300	52,800	1,156,800	50,300	52,800	1,156,800
New Mexico	407,000	382,800	3,286,200	479,700	446,400	4,148,000
New York	219,700	248,400	4,411,200	219,700	248,400	4,411,200
North Carolina	333,700	349,800	3,653,400	333,700	349,800	3,653,400
North Dakota	10,277,000	10,513,600	102,255,000	10,368,000	10,568,200	102,903,000
Ohio	1,745,300	1,831,600	30,479,800	1,745,300	1,831,600	30,479,800
Oklahoma	4,532,700	4,685,200	54,352,000	4,532,700	4,685,200	54,352,000
Oregon	1,027,000	1,046,000	21,205,000	1,027,000	1,046,000	21,205,000
Pennsylvania	954,700	992,200	17,387,200	954,700	992,200	17,387,200
South Carolina	57,000	57,400	575,200	57,000	57,400	575,200
South Dakota	3,907,700	3,860,400	37,757,200	3,895,300	3,853,000	37,631,000
Tennessee	248,700	293,800	2,918,200	248,700	293,800	2,918,200
Texas	3,929,000	3,613,400	37,749,000	4,346,300	3,882,600	41,082,600
Utah	272,300	269,000	5,553,800	272,300	269,000	5,553,800
Vermont	700	800	15,000	700	800	15,000
Virginia	600,700	623,200	9,220,400	600,700	623,200	9,220,400
Washington	2,477,700	2,418,200	42,567,600	2,471,300	2,446,600	42,882,200
West Virginia	113,000	112,800	1,642,600	113,000	112,800	1,642,600
Wisconsin	99,300	101,600	1,853,600	100,700	102,400	1,869,000
Wyoming	338,300	347,400	3,621,000	360,300	360,600	3,753,000
Total	64,158,300	65,933,600	844,812,200	65,958,000	67,159,600	860,228,000

THE OUTLOOK

There are two fundamental objectives of the wheat program: (1) To increase the income of wheat producers toward parity for that portion of their crop consumed in this country, through adjustment payments which are in addition to the market price for the wheat they sell; and (2) to effect such a reduction in the national production as will bring it into approximate line with effective demand, and keep it there.

Three main factors will influence the amount of wheat that will be harvested in 1934. The first is the amount of the reduction that will be accomplished under the wheat reduction program. The second is the effect of weather conditions and insect damage. The third is the aggregate amount of wheat that will be produced by farmers who did not sign the contract.

At the beginning of 1934 some parts of the Great Plains region were deficient in soil moisture, and another subnormal wheat crop appeared possible. But even another small crop in 1934 would not reduce the carryover much below normal.

It is possible that farmers who did not sign the reduction contracts may.increase their wheat acreage in 1934. The total acreage not covered by the contracts is 15,000,000 acres. Much of this acreage goes in and out of wheat as rotation practice or market conditions dictate, and there was less incentive for owners of this acreage to sign the reduction agreement than for growers who specialize in wheat.

It is not yet possible to forecast with precision the definite effect of the production of the nonsigners upon the total 1934 wheat production. The widespread and urgent requests of many of them to be permitted to qualify later indicated a growing tendency of farmers to seek the advantages of adjustment payments as a supplement to income, and disclosed possibilities of increasing effectiveness of the plan.

V. PROCESSING TAX

The wheat production-adjustment payments are made from a fund derived from a tax levied upon the first domestic processing—the milling—of wheat for human consumption. Wheat milled for the use of the producer himself or his household, is exempt from the tax, and the tax is refunded on products milled from wheat if they are turned over to some recognized agency for distribution among the needy unemployed. The tax is also refunded on flour which is exported. No tax is imposed upon the processing of wheat for feed for livestock.

At the beginning of the marketing year, fixed by the Secretary of Agriculture, as July 9, 1933, the rate of the tax was set at 30 cents per bushel, the difference between the current average farm price of wheat, and the parity price. This rate of tax holds for the current marketing year only.

The Agricultural Adjustment Administration's estimate for the Bureau of the Budget for the current crop year is shown in table 8.

TABLE 8.—*Wheat program estimates covering marketing period July 9, 1933 to June 30, 1934*

NET COLLECTIONS:		
Processing taxes		$108, 000, 000
EXPENDITURES:		
Rental and benefit	$102, 200, 000	
Removal of surplus	8, 000, 000	
Total expenditures		110, 200, 000
EXCESS OF EXPENDITURES OVER COLLECTIONS FOR ENTIRE PROGRAM		2, 200, 000

Besides the expenditures listed above, administrative expenses are estimated at $2,010,479.

CONFERENCE OF PROCESSORS

In June, before the rate of the tax was determined and announced by the Secretary of Agriculture, representatives of all groups of wheat processors were called to Washington for a conference on the subject. At the conference some millers favored the measuring of the tax in terms of flour and other wheat products; others desired to have the rate fixed according to the number of bushels of wheat milled. Largely because of the legal provisions of the Adjustment Act, the latter method was adopted.

Regulations establishing the rate of the tax and the conversion for calculating the amount of wheat in different finished products subject to the floor stocks tax on products that had been processed and were in stock before the tax became effective were issued by the Secretary of Agriculture and approved by the President on June 26. Supplemental regulations constituting definitions and amendments to the previous regulations were approved later.

For several months before the imposition of the tax, milling was at an exceptionally high rate. When the tax was imposed there was a corresponding decrease, which, however, was no greater than had been anticipated. Collections from the various taxes imposed on wheat and its products from July 9 to November 1 were:

Processing tax	$17, 246, 951. 30
Import compensating tax	7, 679. 04
Floor stocks tax	12, 489, 293. 50
Total	29, 743, 923. 84

Because the tax on wheat processed during any one month is not payable until the following month, the above record covers processing from July 9 to October 1 only. Because the Bureau of Internal Revenue, charged with the collection of the tax, extends the time for payment in some case, collections as shown above do not represent the total amount to be collected for wheat processed during the period July 9 to October 1. The above statement on collection of floor stocks taxes is fairly complete.

It is estimated that between July 9 and October 1 about 100,000,000 bushels of wheat were processed. Not all of it was taxable, however, because of the exemptions provided under the Adjustment Act. It has been estimated that most of the wheat eligible to be ground under the exemptions provided for producers was ground during the period covered by the above statement and that a larger percentage of the wheat processed during the remainder of the year will be subject to the tax than was the case from July 9 to October 1.

"BOOTLEGGING" OF FLOUR

In connection with the producer-exemption provisions of the act it has been found possible to avoid, illegally, the payment of the tax. Such cases of alleged "bootlegging" of flour have been called to the attention of the Adjustment Administration and have been reported to the Bureau of Internal Revenue. It has been reported that tax-free flour has been turned over by farmers to town or city merchants to whom they were indebted, or even sold to city consumers. In order that this practice might be reduced to a minimum, the Administration and the Bureau of Internal Revenue have from time to time issued warnings to producers and others reported to be abusing the producer-exemption privilege. No record is at present available on the amount of refunds of processing tax on flour distributed through relief agencies.

In order to prevent "plugging" of country elevators, with consequent loss to farmers of storage facilities, and interruption of normal flow of grain to market, both adversely affecting market prices, it was found necessary to interpret certain provisions of the Adjustment Act in such a way as to permit grain for which warehouse receipts had been issued to farmers to move to market without cancelation or surrender of the receipts. The interpretation was made after a public hearing on the question. The hearing was held at Chicago August 11.

VI. NORTH PACIFIC MARKETING AGREEMENT

Soon after the 1933 wheat crop began moving to market it became evident that supplies of white wheat in the North Pacific region, including Washington, Oregon, and northern Idaho, would be considerably in excess of domestic requirements. Carryover from the 1932 crop was larger than usual and the 1933 yield was average. Under sections 8 (2) and 12 (b) of the Adjustment Act, the Secretary of Agriculture entered into a marketing agreement with producers, handlers, and exporters of wheat in the North Pacific region with the purpose of removing the surplus of wheat from the depressed domestic market and disposing of it in foreign markets and through public agencies for the relief of the unemployed.

The surplus stocks which had developed in the area concerned were not only depressing the market there, but were threatening markets in the southeast and even along the Atlantic seaboard.

An informal hearing on the situation was held in Portland, Oreg., on August 21, attended by representative groups of producers and handlers of wheat in that territory, and by representatives of the Adjustment Administration. Another hearing was held at Portland on September 7 to determine the basis for the marketing agreement.

PROVISIONS OF AGREEMENT

The agreement provides for the organization of the North Pacific Emergency Export Association consisting of growers, millers, and exporters of grain. The association, under the agreement, is authorized to purchase wheat, at the domestic price, from producers and others in the North Pacific region, and to permit its members to sell in foreign markets wheat or flour in competition with wheat or flour from other wheat-producing countries. The difference between the

domestic price paid to the producers and the price received from the sale of wheat and flour is paid to the exporter from the proceeds of the processing tax on wheat. The agreement also provides that wheat or flour may be sold by the association to unemployment relief organizations in the domestic market.

It is estimated that not more than 35,000,000 bushels of wheat will be handled under the terms of the agreement and that the amount required from the processing tax fund to finance the operation will not exceed $8,000,000.

Under the agreement there was allowed to the elevator operators, wheat exporters, and millers and exporters of flour, a return corresponding approximately to what they would receive if they were handling the wheat under normal competitive conditions with the United States domestic prices in normal relation to world prices.

An important provision of the agreement restricts its operations so that purchases of wheat by the association may not exceed sales by more than 1,000,000 bushels at one time. This prevents the association from entering into stabilization purchases of wheat not being sold for export. The agreement was signed and became effective October 10.

PRESSURE OF SURPLUS RELIEVED

By operation of the agreement, the depressing effect of the acute surplus in the North Pacific region has been considerably relieved. On July 15 the price of No. 1 Western White at Portland was 26 cents under the Chicago December option. On December 1 the North Pacific Emergency Export Association was buying No. 1 Western White delivered at Portland at 9 cents under the Chicago December option.

Wheat and flour exported under this agreement have been distributed among markets that ordinarily buy flour from the Pacific coast. Sales for export from October 19 to December 1 are compared with the exports of the last 2 years in table 9. The f.o.b. prices at which wheat and flour have been sold for export under this agreement have ranged from 50.1 cents to 59.5 cents per bushel for wheat and from $2.55 to $3.77 per barrel for flour. These prices, when converted to c.i.f. prices in the markets where the wheat and flour were sold, averaged slightly higher than the prices of wheat and flour selling in those markets from other exporting countries of the world.

Under the provision of this agreement wheat has been sold for export to the Chinese Government, Japan, Salvador, Peru, Ireland, Belgium, and other countries. Flour sales have been made to the following destinations: Philippine Islands, China, a number of ports in Central America, a number of ports in South America, Federated Malay States, Haiti, Scotland, England, Manchuria, India, and Finland.

AGREEMENT WITH CHINESE REPUBLIC

An agreement between the Secretary of Agriculture and the National Republic of China was drafted pursuant to the provisions of section 12(b) of the Agricultural Adjustment Act. The agreement has for its purpose the removal of surplus, and therefore satisfies the requirements of section 12(b).

The agreement is essentially as follows:

(1) The Chinese Government agrees to draw upon the funds extended to it by the Reconstruction Finance Corporation under a

loan agreement, to purchase $10,000,000 worth of wheat and flour under the marketing agreement between the Secretary of Agriculture and the North Pacific Emergency Export Association.

(2) The price to be paid for such wheat and flour will be a bid price plus 5 cents per bushel of wheat.

(3) The Secretary agrees to direct the North Pacific Emergency Export Association to sell wheat and flour to the Chinese Government when its bids have been approved by the Secretary. This obligation on the part of the Secretary is in conformity with his power under the marketing agreement.

(4) The Secretary reserves the right to reject any bid submitted by the Chinese Government at any time: *Provided, however,* That if the Secretary approves bid or bids submitted, the Secretary agrees to allocate equitably the available wheat or flour between the bids submitted by others and the bids submitted by the Chinese Government if the bid price is the same.

(5) The Secretary reserves the right to terminate the agreement with China at any time upon the termination of the North Pacific marketing agreement by the Secretary.

The elevator operators, exporters of wheat, and mills exporting flour have, under the North Pacific marketing agreement, secured a return for their operations which was fixed in the agreement and which would have been fair under normal competitive conditions. The differential payments have been held to a minimum, the average having been around 22 cents per bushel. At no time has the differential payment been as large as the 25 cents per bushel estimate made before this agreement became effective.

REMOVES PRESSURE IN MIDWEST

Aside from the value of this agreement to the producers and handlers of wheat in the North Pacific area, a distinct advantage has occurred to wheat producers in the Midwest. Before the negotiation of the agreement the relatively low price of wheat on the Pacific coast, and the large surplus in that area, permitted wheat and flour to move in volume from the North Pacific ports to Galveston, Tex., and other Gulf ports for sale at interior markets in the Midwest. Considerable quantities of flour from the Pacific coast moved to the Atlantic seaboard, and were sold at a price considerably under that of flour milled in the Buffalo area. As a result of this abnormal flow of white wheat to the eastern parts of the United States, prices of all classes of wheat and flour in the Midwest and on the Atlantic coast were depressed. The agreement has diverted the flow of this surplus wheat to foreign markets where, under normal conditions, it finds its outlet, and prices of other classes of wheat at interior markets of the United States have benefited accordingly.

The first purchases of wheat under this agreement were made on October 19 at 67 cents a bushel. On November 29, the association was paying 74½ cents per bushel. From October 19 to December 1, the association purchased 7,753,000 bushels of wheat and sold 7,228,000 bushels for export. Of these sales, 5,973,000 bushels were wheat and 1,255,000 bushels were in the form of flour.

TABLE 9.—*Exports, wheat and wheat flour, in terms of wheat from ports in Oregon and Washington, 1931, 1932. Average 1931–32 and Oct. 19–Dec. 1, 1933. Sales for export under terms of marketing agreement, only a part of which has been exported*

[In thousands of bushels, i.e., 000 omitted]

Countries of destination	1931		1932		Average 1931–32		Sales for export per agreement, Oct. 19–Dec. 1, 1933	
	Wheat	Flour as wheat	Wheat	Flour as wheat	Wheat	Flour as wheat	Wheat	Flour as wheat
Irish Free State	1, 151	9	764	--------	957. 5	4. 5	420	--------
Netherlands	765	147	273	--------	519. 0	73. 5	--------	--------
United Kingdom	2, 157	681	19	142	1, 088. 0	411. 5	37	21
Canada	137	27	89	13	113. 0	20. 0	--------	--------
Panama	1, 386	9	--------	18	693. 0	13. 5	--------	--------
Bolivia	71	89	19	--------	45. 0	44. 5	--------	--------
China, including Hong Kong and Kwantung	12, 216	8, 686	2, 598	7, 071	7, 407. 0	7, 878. 5	3, 955	313
Japan	1, 820	151	821	4	1, 316. 0	77. 5	1, 317	1
Colombia	28	4	3	--------	15. 5	2. 0	--------	--------
Peru	117	182	--------	89	58. 5	135. 5	149	--------
Norway	--------	570	--------	285	--------	427. 5	--------	100
Ecuador	--------	200	--------	80	--------	140. 0	--------	15
Philippine Islands	--------	2, 937	--------	2, 541	--------	2, 739. 0	--------	505
Belgium	--------	31	--------	--------	--------	15. 5	93	--------
Denmark	--------	31	--------	--------	--------	15. 5	--------	--------
Haiti	--------	36	--------	--------	--------	18. 0	--------	22
Salvador	--------	13	--------	31	--------	22. 0	2	--------
Finland	--------	--------	--------	--------	--------	--------	--------	1
Singapore	--------	--------	--------	--------	--------	--------	--------	9
Manchuria	--------	--------	--------	--------	--------	--------	--------	121
Holland	--------	--------	--------	--------	--------	--------	--------	4
Central America and South America	--------	--------	--------	--------	--------	--------	--------	143
Others	16	196	--------	40	--------	--------	--------	--------
Total	19, 864	13, 999	4, 587	10, 314	12, 212. 5	12, 038. 5	5, 973	1, 255

Owing to the agreement with China to buy $10,000,000 worth of wheat and flour, the sales to that Government, under the marketing agreement, have been relatively larger than during previous years. The shipments of relief wheat accounted for a large part of the exports to China during 1931.

VII. MARKETING AGREEMENTS AND CODES

In addition to the acreage reduction program, and the Pacific Northwest marketing agreement, a number of codes affecting wheat and its products have been considered by the Administration. Among these are codes covering the following industries:

1. Macaroni
2. Wheat flour milling
3. Feed manufacturing
4. Feed distribution
5. Baking
6. Flour distribution and flour blending
7. Ice cream cone manufacturing
8. Grain exchange
9. Country elevator
10. Terminal elevator

The Administration is also consideraing codes affecting competing products, including rye, corn, and hay.

VIII. CURRENT WORLD SITUATION

The current wheat production and supply condition for the world may be summarized as follows:

Production of wheat in the world, exclusive of Russia and China, for the 1933–34 crop year is estimated at 3,600,000,000 bushels compared with 3,788,000,000 for 1932–33, and an average of 3,281,000,000 for the period 1921–22, 1925–26.

The 1933–34 crop is smaller than any other crop during the last 5 years. Its distribution, however, is probably of more significance than its size.

The production in Europe during 1933, exclusive of European Russia, totaled 1,693,000,000 bushels, or about 200,000,000 more than the record crop of 1932. France, Germany, and Italy, the countries which formerly imported large quantities of wheat, produced in 1933 the largest crops on record. The exporting countries of the lower Danube Basin likewise produced record crops in 1933. Surplus available for export in these Danube Basin countries has been larger than usual, and considerably larger than last year when those countries produced a subnormal crop.

CROP SMALL BUT SUPPLIES LARGE

The North American crop in 1933 was very much smaller than the 1932 crop and considerably below average. Supplies available for export at the beginning of the current year July 1, 1933, were, however, well above average in the United States and Canada.

Surpluses available for export or carryover as of January 1, 1934, in the four principal exporting countries, indicate that the surpluses in Canada are 63,000,000 bushels less than those of a year earlier, in the United States 80,000,000 less, and in Australia about 57,000,000 less. In Argentina there was an increase of about 11,000,000 bushels during the year. The net change during the year for these four countries shows supplies about 189,000,000 bushels smaller than in the year earlier. This reduction, however, is more than offset by the larger supplies in European countries and in Asia. These larger supplies in Europe have to a considerable degree reduced the imports of those countries during the first 6 months of the current marketing year. International trade in wheat, as indicated by Broomhall's reports of shipments, was considerably smaller during the period July 1 to December 31, 1933, than for the corresponding period in 1932. The total shipments of wheat for this period in 1933 were reported to be 257,157,000 bushels compared with 281,890,000 for the corresponding period a year earlier.

Although the shipments were considerably smaller in 1933 than in 1932, the exports from the Danube countries and from Russia were increased very materially over those of the year earlier. Argentine exports were somewhat higher also. Exports from the United States and Canada were correspondingly lower. In the Southern Hemisphere, where the crop year coincides with the calendar year, it should be noted that the exports from Australia during the calendar year 1933 totaled 173,000,000 bushels, compared with 169,000,000 for 1932. Argentine exports during 1933 were about 149,000,000 bushels compared with 130,000,000 for 1932.

Prices of wheat at the principal wheat markets of the world during the last week of December 1933 reflected the relative location of the wheat stocks of the world. May futures at Liverpool at close on December 31 were 67⅝ cents per bushel compared with 83⅝ cents at Chicago for the May option. A year earlier this comparison was Liverpool 48 cents per bushel and Chicago 45 cents.

Representative prices of wheat at the principal world markets during the last week of December 1933 are compared with the corresponding week a year earlier in table 10.

TABLE 10.—*Wheat prices compared*

	Week ended Dec. 30, price per bushel		
	1933	1932	Increase
	Cents	*Cents*	*Cents*
Liverpool, all parcels	57.8	46.6	11.2
Buenos Aires, near futures	51.6	35.5	16.1
Winnipeg, No. 3 Man. N	55.3	31.8	23.5
Minneapolis, No. 1 D.N.S	84.2	45.8	38.4
Kansas City, No. 2 H.W	80.5	40.2	40.3

CHAPTER 5

TOBACCO

SALIENT FACTS ABOUT TOBACCO PROGRAM

1. Maximum number of tobacco growers expected to sign contracts in 1934	275, 000
2. Number of pounds to which 1934 production in continental United States is expected to be limited under reduction program	1, 000, 000, 000
3. Estimated collections of processing taxes Oct. 1, 1933, to Sept. 30, 1935, to cover marketing for 1934 crop	$48, 395, 805
4. Total rental and benefit payments with respect to 1933 and 1934 crops, including Puerto Rico	$40, 740, 000

FLUE-CURED TOBACCO

5. Number of pounds to which total United States production is limited in 1934 under reduction program	500, 000, 000
6. Total rental and benefit payments with respect to 1934 crop	$16, 575, 000

BURLEY TOBACCO

7. Number of pounds to which total United States production is limited in 1934 under reduction program	250, 000, 000
8. Total rental and benefit payments with respect to 1934 crop	$14, 950, 000

FIRE-CURED TOBACCO

9. Number of pounds to which total United States production is limited in 1934 under reduction program	110, 000, 000
10. Total rental and benefit payments with respect to 1934 crop	$1, 798, 000

DARK AIR-CURED TOBACCO

11. Number of pounds to which total United States production is limited in 1934 under reduction program	35, 000, 000
12. Total rental and benefit payments with respect to 1934 crop	$767, 000

CIGAR-TYPE TOBACCO

13. Number of pounds to which total United States production is limited in 1934 under reduction program	88, 000, 000
14. Total rental and benefit payments with respect to 1934 crop:	
Continental United States	$5, 500, 000
Puerto Rico	$1, 000, 000

MARYLAND TOBACCO

15. Number of pounds to which total United States production is limited in 1934 under reduction program	21, 000, 000
16. Rental and benefit payments with respect to 1934 crop	$150, 000

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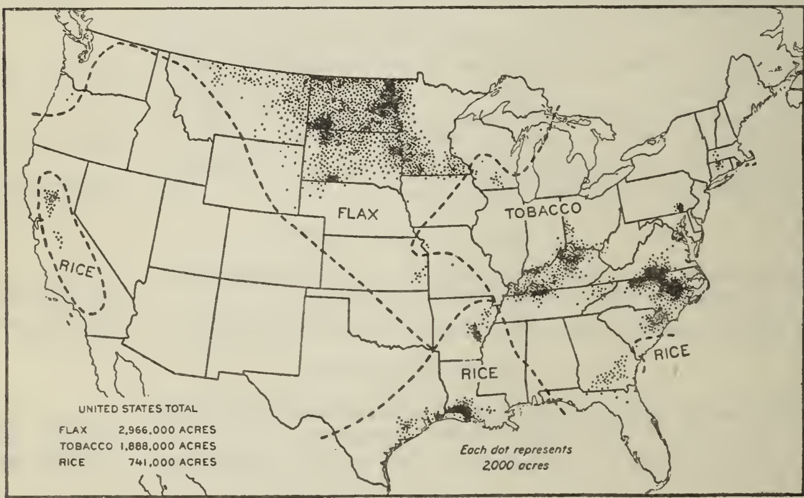
Listed among the basic commodities named in the Agricultural Adjustment Act, tobacco differs from the others in that the base period for determining price parity is defined, not as the 5 prewar years, but the years from August 1919 to July 1929.

When the tobacco problem was considered, it was recognized that separate programs would be needed for the types of tobacco grown in different sections of the country, because these vary greatly in methods of production, price, uses, and characteristics. Some types are exported in large volume; others are consumed almost entirely within the United States. Different programs are necessary for each of the principal kinds of tobacco. The Secretary of Agriculture therefore defined tobacco under six distinctive classifications, each being designated a basic agricultural commodity. The classifications were as follows:

Chart 11.—Tobacco, Rice, and Flax—Acreage, 1929



1. Cigar-leaf tobacco
2. Flue-cured tobacco
3. Maryland tobacco
4. Burley tobacco
5. Dark air-cured tobacco
6. Fire-cured tobacco

The purchasing power of each of these commodities during the base period was different, and the disparities in current market prices varied from one to the other. Overproduction was greater for some kinds of tobacco than for others. Consumer demand was weaker for some than for others. Yet the problems of all types had some common characteristics.

Receipts from the sale of all types of tobacco had declined from approximately $286,000,000 in 1929 to $107,000,000 in 1932. This had brought about an acute situation. Some tobacco growers were being forced off their farms. Others sought to shift to other types of farming in which the opportunity to make a living appeared to be greater.

It was noted that during the period in which returns to tobacco growers had declined so drastically, the manufacturers of tobacco products were able to increase their profits. The total profits of 52 leading tobacco manufacturers were $146,000,000 in 1932 as compared with $134,000,000 in 1929 and $76,000,000 in 1923. In other words the net profits of a handful of manufacturers in 1932 were

Chart 12.—Tobacco, Unmanufactured: Total Disappearance, Domestic Consumption, and Exports, 1923–24, 1932–33

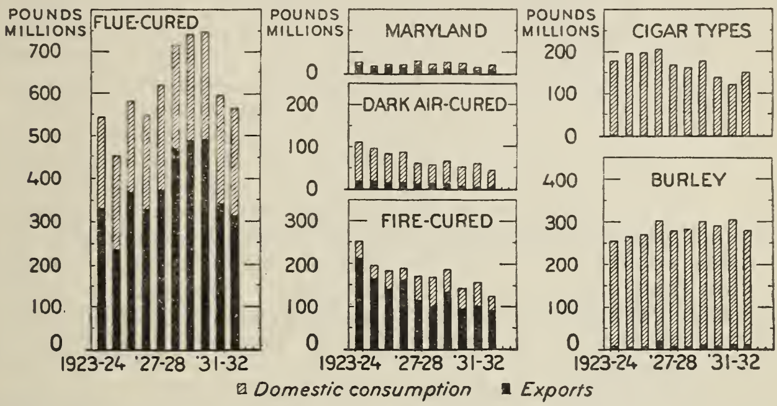
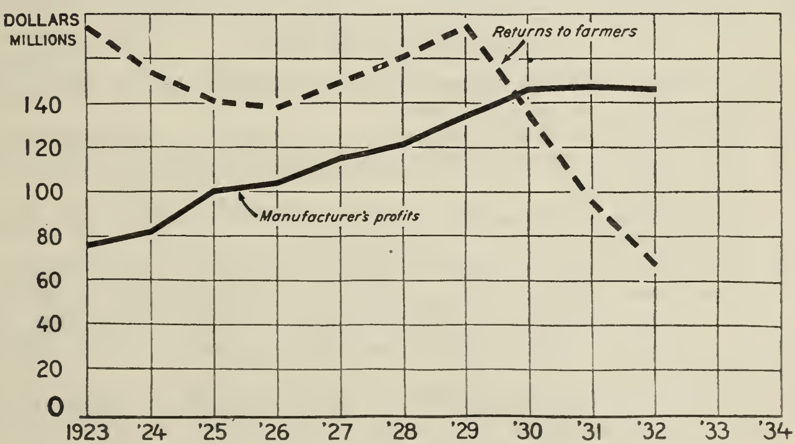


Chart 13.—Tobacco Industry: Returns to Farmers and Manufacturers' Profits



nearly 50 percent greater than the gross returns of all the tobacco growers in the United States in the same year.

Obviously the tobacco grower was not receiving an equitable share of the tobacco consumer's dollar.

When the situation was examined in detail, it was found that large stocks of practically all types of tobacco had accumulated for one reason or another during the last few years and the need for a crop reduction program was evident.

I. CIGAR TOBACCO PROGRAM

The cigar tobacco industry was given first attention, because the need for production adjustment was most pressing in the cigar tobacco districts. The 1932 prices of cigar types of tobacco had been lower in relation to the base period than the prices of other types.

It was concluded also that the cigar types were better adapted than other types to immediate application of a control program under the provisions of the Agricultural Adjustment Act. Cigar types are planted somewhat later in the season than are other types and hence were not so far advanced at the time control measures could be formulated. Practically the entire cigar tobacco crop is consumed in the United States, hence processing taxes on these types would produce revenue sufficient to make payments large enough to cause an immediate reduction in the crop and an improvement in prices.

An examination of cigar-leaf supplies and consumption indicated that if no tobacco of these types were grown in 1933 or 1934 there would be, at the end of the 2 years, no shortage of any important grades. While a reduction in the cigar tobacco acreage was indicated in farmers' planting intentions, the 1933 intended acreage with average yields would have resulted in a supply larger in relation to consumption than was the supply a year earlier. Because the districts producing cigar tobacco are widely scattered, with competition among districts, the need for a coordination of farmers' adjustments was very pronounced.

After preliminary conferences of the administrative staff, representatives of producers and of the State colleges in the cigar tobacco districts were invited to Washington to discuss the situation and possible plans for improving it. These plans were discussed also with representatives of manufacturers using cigar tobacco.

FILLER AND BINDER TYPES

The principal features of the program adopted for the filler and binder types of cigar tobacco were:

1. Growers were offered payment in return for reducing their tobacco acreage in 1933 and for maintaining reductions in 1934 and 1935 if so requested.

2. Limitations were placed on the use of the land retired from tobacco production.

3. A tax was levied upon the domestic processing of cigar tobacco.

Growers were offered an opportunity to sign contracts with the Secretary of Agriculture wherein they agreed to make reductions in tobacco acreage in return for specified cash payments. (See exhibit 27 of appendix I.)

This plan was offered to growers in the following districts producing the filler and binder types:

New England
Pennsylvania and New York
Miami Valley (Ohio and Indiana)
Wisconsin and Minnesota

EXTENSION FORCES COOPERATED

In each district, plans for conducting the sign-up were worked out whereby the Federal, State, and county extension organizations cooperated to the fullest possible extent in presenting the program to farmers.

Committees of growers in each district and each community were set up to assist and advise in the administration of the program. An agent was selected in each district to supervise the administrative field work.

The campaign for obtaining the signatures of growers to acreage reduction contracts was closed on August 26. About 18,000 growers of filler and binder types of tobacco signed contracts. This is about three fourths of the total number of such growers.

The tobacco acreage reduction specified for 1933 in the contract was 50 percent of the base tobacco acreage chosen by the grower for his farm. The contract gave the Secretary the privilege of requiring a reduction in 1934 and/or 1935 not exceeding the reduction specified for 1933.

The grower was given the choice of using as the base tobacco acreage for his farm one of the following:

(*a*) Eighty percent of the average tobacco acreage planted on this farm in 1931 and 1932.

(*b*) The entire tobacco acreage planted on this farm in 1932, provided such acreage did not exceed that so planted in 1931.

(*c*) The average tobacco acreage planted on this farm in 1931 and 1932, provided the tobacco acreage planted on this farm in 1932 exceeded that so planted in 1931.

The producer was required to limit the use of that portion of the base tobacco acreage not permitted in tobacco. No crop for sale was to be grown on this land. Food crops and feed crops directly or indirectly for home consumption on the farm were permitted on one half of it; but the remainder had to be kept idle or planted to soil-maintenance crops.

The payments to growers in each of the above districts were to be made at specified rates per acre retired from tobacco production. Two payments were provided for each year of the effective life of the contract. The rate of the first payment in 1933 was uniform for all producers in each district but varied among districts as follows:

District:	*First payment per acre, 1933*
New England	$47
Pennsylvania-New York	24
Miami Valley	15
Wisconsin-Minnesota	20

These rates represented approximately 20 percent of the fair exchange value of the average production of one acre of tobacco in each district; that is, the variations in rates per acre among the districts were due to differences in the average yields per acre and differences in the fair exchange values per pound of the tobacco. The second payment to each producer for 1933, for each acre retired from tobacco production, was 40 percent of the average market value per acre of the tobacco harvested on his farm in 1933. In cases where no tobacco was harvested, minimum payments were provided.

The rates of the first payment per acre of reduction for 1934 and 1935, in case a reduction should be required for those years, were specified at not less than approximately three fourths of the rates per acre in 1933. The rate of the second payment per acre of reduction in 1934 was specified at not less than 30 percent of the average market value per acre of the tobacco harvested on the farm in those years. The reason for making the rates for 1934 and 1935 less than the rates for 1935 was that in 1934 and 1935 the plans for adjustment

would be announced before the crop would be planted, so that the actual reduction by the producer could be made more easily. However, the rates specified were merely the minimum guaranteed to the producer and might be increased if necessary in order that those who signed contracts might not suffer losses of net income as compared with growers who did not take part in the program.

PROCESSING TAXES

To finance the program for adjusting production, a processing tax was levied on the first domestic processing of cigar-leaf tobacco, effective October 1, 1933. For purposes of this tax, cigar-leaf tobacco was defined to include all domestic and foreign-grown tobacco used in the manufacture of cigars and/or scrap chewing tobacco.

The rate of processing tax was established at 3 cents per pound, farm sales weight. The full difference between the current average farm price and the fair exchange value of cigar-leaf tobacco was 6 cents per pound. At a public hearing held September 8, manufacturers and processors submitted evidence as to the effect that a processing tax rate of 6 cents would have upon the cigar tobacco industry. The Secretary's findings were that such a rate of tax would cause such a reduction in the quantity of cigar-leaf tobacco, or products thereof, domestically consumed, as to result in the accumulation of surplus stocks of cigar-leaf tobacco, or the products thereof, or in the depression of the farm price of cigar-leaf tobacco. Accordingly, a rate of 3 cents per pound was established.

REDUCTION OF PRODUCTION

Of the estimated tobacco acreage planted in these districts in 1933, about 12,400 acres—or around 15 percent—were taken out of production under the terms of the contracts signed by growers. Those who participated in the program took out of production, on the average, about one third of the tobacco which they planted in 1933. Figures showing the extent of the sign-up and the amount of acreage taken out of production are shown in table 11.

TABLE 11.—*Cigar-leaf tobacco, filler and binder types: Extent of sign-up, base acreage planted, and acreage retired after planting, by districts, 1933* [1]

District	Extent of sign-up			Base acreage planted to tobacco			Acreage retired after planting	
	Acreage reported by Bureau Agricultural Economics, 1931–32 average	Acreage reported on accepted contracts, 1931–32 average	Percent 1931–32 average acreage under contract	Base acreage of farms under contract	Tobacco planted 1933 on farms under contract [2]	Percentage of base acreage planted in 1933	Tobacco acreage on farms under contract retired after planting	Percentage tobacco acreage planted under contract which was retired
	Acres	*Acres*	*Percent*	*Acres*	*Acres*	*Percent*	*Acres*	*Percent*
New England	20, 400	9, 374	46. 0	9, 254	2, 822	30. 5	339	12. 0
Pennsylvania-New York	42, 800	23, 708	55. 4	26, 743	16, 989	63. 5	7, 069	41. 6
Miami Valley	31, 450	25, 414	80. 8	26, 866	11, 380	42. 4	3, 803	33. 4
Wisconsin-Minnesota	35, 250	32, 149	91. 2	29, 559	7, 751	26. 2	1, 190	15. 3
Total	129, 900	90, 645	69. 8	92, 425	38, 942	42. 1	12, 401	31. 8

[1] Data compiled from 17,603 contracts. About 50 contracts not tabulated when compilation was made.
[2] Of the total number of producers signing contracts, more than 40 percent grew no tobacco in 1933.

The plan for adjusting production was announced during the 1933 planting season and many growers, in anticipation of signing contracts, refrained from planting the full intended tobacco acreage. Growers of these types reported on March 1, 1933, intentions to plant 91,200 acres. The acreage harvested in 1933 was about 67,400 acres. This represents a reduction of 23,900 acres, or 26 percent, from the acreage growers intended to plant in 1933. The reduction from 1932 was 50,900 acres, or 43 percent.

Following completion of the sign-up campaign, each farm covered by a contract was visited and inspected as to fulfillment of the terms of the contract. Checks covering the first payment for 1933 have been mailed to about 98 percent of the growers who signed contracts. Table 12 shows the approximate number of contracts obtained in each State and the amount of the first payment for 1933.

TABLE 12.—*Cigar-leaf tobacco, filler and binder types: Number of contracts and amount of first payment, by States, 1933* [1]

District and State	Number of contracts	Total amount of first payment
New England:		
Connecticut	851	$145, 456
Massachusetts	448	65, 111
Vermont	18	1, 648
New Hampshire	21	1, 431
Total	1, 338	213, 646
Pennsylvania and New York:		
Pennsylvania	3, 654	302, 783
New York	319	14, 754
Total	3, 973	317, 537
Miami Valley:		
Ohio	4, 729	196, 355
Indiana	32	894
Total	4, 761	197, 249
Wisconsin and Minnesota:		
Wisconsin	6, 925	279, 005
Minnesota	601	14, 524
Illinois	4	156
Total	7, 530	293, 685
Grand total [1]	17, 602	1, 022, 117

[1] Excluding about 50 additional contracts remaining to be passed for first payment.

RESULTS OF THE PROGRAM

By the end of January 1934, approximately 75 percent of the growers signing contracts had received final payments upon the 1933 crop. A total of $1,600,000 has been paid out under the program, and it is estimated that the total of all payments relating to this crop will be about $2,500,000. The total value of the entire crop of these types in 1932 was only slightly above $7,000,000.

Production in 1933 was reduced to approximately two thirds the present annual consumption. This is the first year since 1930 that the crop has been smaller than consumption. It will be necessary, therefore, to continue to restrict production for at least 1 or 2 years more before a healthy market situation can be restored. Farmers still

hold a portion of the crops of earlier years, and manufacturers' stocks are large.

Very little of the 1933 crop has been marketed yet this season, so that the effect of the program upon prices cannot be definitely determined. Unofficial reports of sales by a few individual farmers indicate that prices are somewhat higher than a year ago but still very unsatisfactory and far below the fair exchange value. The Administration will soon begin negotiations with the leading buyers of cigar-leaf tobacco for a marketing agreement with respect to the 1933 crop. In view of the great reduction in the size of this crop, an effort will be made to have the buyers increase their prices.

WRAPPER TYPES

The shade-grown or cigar-wrapper types of tobacco are grown in two districts, Georgia-Florida and the Connecticut Valley. Separate plans were adopted, after conferences with growers and processors, for the adjustment of production in each of these districts.

In the Connecticut Valley, because of the very high value per acre of shade-grown tobacco and the small amount of revenue available from processing taxes, it was deemed impossible, for this type of tobacco, to effectuate the policies of the Agricultural Adjustment Act through voluntary agreements with individual growers.

This tobacco is produced by a very small number of growers and most of it is prepared for market and handled in interstate commerce by the growers themselves. This situation favored the use of a marketing agreement with the handlers to regulate the handling of this tobacco in interstate commerce in such a way as to restore the purchasing power of the producers. The Secretary of Agriculture entered into such a marketing agreement with 93 percent of the handlers, and a license has been issued to make the terms of the agreement applicable to all the handlers. Beginning with the 1934 crop, the handlers will handle no more tobacco in any year than the production allotment for that year. Owing to the fact that the 1933 crop was harvested before the agreement was completed, this provision did not apply to 1933. Production allotments for individual growers are to be determined by a committee representing all the growers (including those who are not handlers) acting in consultation with and subject to the approval of the Secretary.

TERMS OF MARKETING AGREEMENT

The agreement provides that, subject to the approval of the Secretary, minimum prices may be established for tobacco to be purchased from growers, beginning with the 1933 crop, and that minimum prices may be established for such tobacco to be sold by handlers. The handlers would agree to have all tobacco graded according to United States standard grades and to follow specified fair trade practices in buying and selling tobacco. Through this agreement the Secretary, acting in conjunction with growers and handlers, would be able to adjust the quantity of this type of tobacco marketed to consumptive requirements and to maintain such adjustment.

In the Georgia-Florida districts, plans were made for reducing the quantity harvested from the 1933 crop. The harvesting of this crop was in progress when the plans were being formulated. The

growers faced a critical situation due to severely contracted consumption and an abundance of old tobacco, particularly of the lower grades. To meet this emergency situation and to lay the foundation for acreage control in subsequent years, production reduction contracts were entered into with 95 percent of the growers of this type of tobacco.

Under these contracts, the growers left unharvested in 1933 the low-grade portion of each tobacco plant. The crop was reduced about 23 percent by this plan. In return for this reduction in production, growers were offered two payments, each of $30 per acre. The total of these payments amounted to approximately $86,500.

The Georgia-Florida contract provides also for the control of the tobacco acreage planted in 1934 and 1935. The Secretary after consultation with the growers has adopted a plan for allotting among growers an acreage of tobacco which it is deemed advisable to grow in view of existing supply-and-demand conditions. (See exhibit 26 of appendix I.)

II. FLUE-CURED TOBACCO PROGRAM

In July 1933 the Administration began to formulate plans for a program with respect to flue-cured tobacco. In its development, all the available facts with respect to production, consumption, and world carryover were taken into consideration. It early became evident that any plan to increase the price of flue-cured tobacco must be based upon a control of production, because the production of this commodity in excess of consumption was responsible, in a large measure, for the low price paid to the growers. Surplus stocks had begun to accumulate as early as 1929, and by 1932 they were the largest on record. In 1931 the flue-cured crop totaled 665,000,000 pounds, and sold for an average of 8½ cents per pound. In 1932 the crop totaled 374,000,000 pounds and sold for an average of 11.6 cents per pound. On July 1 the 1933 crop was estimated at 591,000,000 pounds, which was about equal to the estimated annual world consumption of this tobacco. But as the 1933 crop grew toward maturity, it became increasingly evident that it would be a large crop, well above the annual consumption. (The December estimate of the 1933 production was 708,000,000 pounds.)

The problem, therefore, was to inaugurate a program which would substantially raise the price per pound for a crop of tobacco which was estimated to be at least double the 1932 crop and substantially above the level of consumption. All indications pointed to a probable price average not in excess of 12 cents for this crop of tobacco. Since the fair exchange value or parity price of flue-cured tobacco, as of August 15, was approximately 17 cents per pound, and the objective sought was to approach this fair exchange value as rapidly as was feasible.

On July 27, an informal conference with the representatives of the leading buying companies of flue-cured tobacco was held to consider possible plans that might be developed for improving prices. No definite suggestions were made by the buyers. However, they did express a desire to "pay the farmer more for his tobacco, if it could be done without causing overproduction in subsequent years."

Subsequently, several conferences were held with representative committees of flue-cured tobacco growers, and it was the almost unanimous opinion of these growers that a production reduction plan

was the first step to be taken in the general program looking toward better prices for the growers.

PROCESSING TAX

The drafting of a contract which was to be offered to growers was begun during August. Representatives of the State colleges of North Carolina and Virginia were called to Washington to assist in this work. It was contemplated that in consideration of the growers' reducing their production during the years 1934 and 1935, they would be paid certain rental and other payments. To raise revenue with which to make these payments, a processing tax was proclaimed early in September, to be effective as of October 1, 1933. The rate of this processing tax is 4.2 cents per pound (farm sales weight).

It should be borne in mind in connection with flue-cured tobacco that approximately 60 percent of this tobacco is exported and that, therefore, no processing tax under the law can be levied upon this portion of the crop, if it is exported unprocessed.

GROWERS PROTEST PRICES

The auction markets for flue-cured tobacco opened on August 1, before the plans for a crop reduction program had been perfected, at prices not much higher than had been paid for the 1932 crop. Immediately protests against this price average were filed by the growers and by the officials in the State of Georgia where the sales were in progress.

On August 10, the South Carolina and border-belt markets opened. These markets had originally been scheduled to open on August 15, but due to pleas that such a late opening would be detrimental to the best interests of the tobacco growers, requests were made that the Administration take steps to advance this opening date. Strong opposition to the advancement of the opening date was encountered from the Tobacco Association of the United States, and particularly from the sales committee of that association, under whose authority the original opening date had been set. This committee met four times, and each time refused to accede to the request of the Administration that the South Carolina markets open prior to August 15.

Representatives of the Administration were sent to South Carolina to investigate the necessity of advancing the opening date for these markets, and upon the statements of these investigators that the farmers would suffer financial losses unless an earlier opening could be secured, it was insisted that the markets open on August 10. The larger buying companies were approached and they agreed to furnish buyers for these markets on August 10. Thereupon, all the markets in the South Carolina belt opened with a full corps of buyers on August 10.

The price average on these markets maintained a low level, and protests continued to come in, together with resolutions passed by mass meetings of farmers throughout the entire flue-cured belt. The tenor of all the resolutions was to the effect that the prevailing price level meant ruin and bankruptcy to the tobacco growers, and they asked that the Government take immediate steps to prevent this calamity.

During the last week in August, prices in South Carolina and Georgia slumped to a new low level. When the flue-cured markets of eastern North Carolina opened on August 29, the price average on these markets was only about 10 cents per pound. Such an average for the opening of these markets indicated a season's average of less than 12 cents per pound for the entire flue-cured crop.

On August 30, an informal conference with representatives of the flue-cured buying interests was held in Washington. No plans were suggested by the buyers which would raise in any degree the price being paid to the farmers for the 1933 crop. Although the quality of this crop was recognized as being somewhat above average, the opinion was expressed by some of the buying interests that the price for the season might not be expected to average more than 10 cents per pound.

MARKETS WERE CLOSED

The storm of protests which arose from growers over the low price prevailing for flue-cured tobacco resulted in a mass meeting in Raleigh, N.C., demanding that the markets be closed until steps could be taken to increase their price. At the insistence of these growers, the Governors of North and South Carolina, by official proclamation, closed all the flue-cured markets in those States. The marketing of the crop in Georgia had already been completed, and the selling in Virginia had not yet commenced so that the industry was at a complete standstill. A large number of growers, headed by the Governor of North Carolina, came to Washington and went into conference with officials of the Agricultural Adjustment Administration on September 4. Several Congressmen and other officials from the flue-cured States attended this meeting. There was an insistent demand that immediate action be taken to save the 1933 crop from being sacrificed at the prices prevailing at the close of the market.

TENTATIVE CONTRACT OFFERED

After several conferences with growers and growers' representatives, including a conference in Raleigh, N.C., it was decided to inaugurate an immediate sign-up of all flue-cured tobacco growers. A tentative contract was drawn up and offered the growers, under the terms of which they would agree to reduce their production in 1934 and 1935, as required by the Secretary of Agriculture, by an amount not exceeding 30 percent of the average of the years 1931, 1932, and 1933. Through the cooperation of farmers, warehousemen, State and county officials, business men, and professional men, the campaign was rushed to a successful conclusion, and within a week more than 90 percent of all flue-cured tobacco growers had signed the tentative contract.

Armed with these agreements on the part of farmers to control production, negotiations were immediately begun by the Administration with the buying interests to obtain an increase in the prices to be paid for the 1933 crop. It was believed that with a knowledge that the 1934 and 1935 crops would be reduced below the level of consumption, thus liquidating the surplus produced in 1933, the buyers would be willing to enter into an agreement to make a material advance in their prices.

MARKETING AGREEMENT NEGOTIATED

On September 15, the principal domestic manufacturers using flue-cured tobacco were again summoned to Washington and a marketing agreement was presented to them which was designed substantially to raise the level of prices paid on the markets. The manufacturers requested that they be given an opportunity to consider and discuss the provisions of this agreement and agreed to return on September 21 for a formal hearing upon the agreement.

On September 20 another conference was held with the flue-cured tobacco growers' advisory committee, and it was the opinion of this committee that every effort should be made to obtain an immediate agreement with the buyers covering the 1933 crop.

On September 21 and 22 a formal hearing was held on the proposed marketing agreement. The manufacturers objected to this marketing agreement on two grounds: First, they felt that it was insufficient because it did not bind anybody to buy any given quantity of tobacco; second, that it provided for Government control of the tobacco manufacturing industry. The manufacturers agreed to bind themselves to buy a quantity of flue-cured tobacco at least equal to the quantity which they manufactured last year at an average price of not less than 17 cents per pound, but insisted that any form of marketing agreement which they would sign would need to contain, in substance at least, the following paragraph:

> This proposal is possible only on the basis—a condition of its acceptance and of the continuance of the obligation thereof—that insofar as the Agricultural Adjustment Administration has jurisdiction in the premises, the undersigned companies are to manage, conduct, and operate their respective businesses with freedom of business policy as heretofore, it being understood that no provision herein made in any way limits or restricts the authority of the Agricultural Adjustment Administration in the matter of the levying of processing taxes or prevents the negotiation and making of marketing agreements, not inconsistent with this paragraph, with respect to any other type of tobacco than that included herein.

Negotiations with the manufacturers were continued, almost without a break, in an attempt to reach an agreement that would be mutually acceptable to them and to the administration. The manufacturers refused to accept an agreement without the above-quoted paragraph being included. The Administration would not agree to the inclusion of any such limitation upon its powers. At the end of a week it was felt that further negotiations were useless and the manufacturers were so advised.

Preparations were made immediately for the licensing of all buyers of flue-cured tobacco with the requirement that they pay not less than a specified minimum price for all their purchases. It was contemplated that tobacco for the export trade would be allowed a rebate in order not to disturb the export business. It was realized that it would probably be necessary, under the licensing of buyers, for the Administration to purchase considerable quantities of tobacco. Consequently, tentative arrangements were made for the handling of such purchases.

AGREEMENT ACCEPTED BY MANUFACTURERS

At this stage, representatives of the manufacturers returned to Washington and advised officials of the Administration that they were prepared to discuss further the marketing agreement. After

negotiating with these men it was felt that they were ready to enter into an agreement without a clause restricting any of the powers of the Administration. Subsequently, representatives of all the companies came to Washington and signed such an agreement.

Meanwhile, the flue-cured markets had reopened on September 25, and tobacco began moving to market at the rate of approximately 10,000,000 pounds per day. Prices had shown some improvement compared with prices prevailing just prior to the closing, but it was evident that an immediate decision should be made regarding the Administration's policy for the 1933 crop.

On October 7, leading growers from all sections of the flue-cured district were asked to meet with officials of the Administration in Washington. The procedure that had been followed throughout the entire negotiations upon the marketing agreement was discussed and each grower was asked whether he thought the agreement should be signed by the Secretary. All but one answered affirmatively. Several growers expressed an opinion that stabilization operations would be necessary, in addition to the marketing agreement, to bring about satisfactory prices.

In the discussions which followed during the next few days, the buyers urged that the agreement contain a provision which they construed to mean they might increase the prices of their manufactured products considerably. But the Administration held that this provision was ambiguously worded and it was insisted by the Secretary that if this clause were to remain in the agreement, the agreement should also contain language which would not preclude the Secretary from taking action by way of a license or code which would limit these prices and would give the Secretary liberty of action to criticise any such increase of price. After much discussion there was finally included in the agreement a provision which the Secretary construed to give him the desired freedom of action, and on that basis and also in view of the fact that the Secretary deemed it inexpedient to resort to purchase of tobacco, he determined to sign the agreement in this amended form.

TERMS OF AGREEMENT

The marketing agreement was approved by the Secretary of Agriculture on October 12. Under the terms of the agreement the signatory companies and their affiliates and subsidiaries agreed to purchase on the markets between September 25, 1933, and the end of the marketing season, March 31, 1934, at a price average of at least 17 cents per pound, a quantity of flue-cured tobacco of the 1933 crop at least equal to that which they used during the 12 months ended June 30, 1933. The signatory companies were as follows:

The American Tobacco Co.
Liggett & Myers Tobacco Co.
R. J. Reynolds Tobacco Co.
P. Lorillard Co.
Philip Morris & Co., Ltd., Inc.
Larus & Bro. Co.
Continental Tobacco Co.
Brown & Williamson Tobacco Corporation.

Since these companies had already purchased in excess of 75,000,000 pounds out of the 1933 crop prior to September 25, the agreement in effect meant that these companies would purchase at least 75,000,000

more than their yearly requirements. They also agreed not to buy unduly of the higher grades and not to concentrate their purchases in any region. The manufacturers further agreed that during the life of the agreement, the price of their products would not be increased beyond the prices prevailing on January 3, 1933, by more than an amount made necessary by actual increase in production, replacement, and invoice costs of merchandise, or by taxes or other costs resulting from action taken pursuant to the Agricultural Adjustment Act.

The exporters, who usually purchase about 60 percent of the flue-cured crop, did not enter into the agreement. They expressed themselves both privately and at the public hearing as believing that they would be able to do more toward advancing their prices in line with those of the domestic manufacturers if they were not brought under the agreement than if they actually became parties to it. Subsequent developments have demonstrated the soundness of their contention.

PRODUCTION CONTROL PROGRAM UNDER WAY

The permanent contract designed to control production during 1934 and 1935 has been completed and the sign-up campaign is now under way. Ninety-five percent or more of the growers are reported to have signed such contracts, under the terms of which each grower agrees to reduce his acreage and production of tobacco in 1934 30 percent below the base tobacco acreage and base tobacco production for his farm. (See exhibit 24 of appendix I.) On the basis of the reported sign-up it is estimated that the 1934 crop will be limited to not more than 500,000,000 pounds.

The base tobacco acreage and base tobacco production for a farm shall both be chosen by the producer from one of the following:

(*a*) The average of the years 1931, 1932, and 1933
(*b*) 85 percent of the average of any 2 years in the period 1931 to 1933, inclusive
(*c*) 80 percent of the year 1933
(*d*) 70 percent of the year 1931 or the year 1932

The producer is permitted to market no greater quantity of tobacco than his production allotment which, unless adjusted upward by the Secretary of Agriculture during the growing season, shall be 70 percent of the base tobacco production.

$16,500,000 TO BE DISTRIBUTED

In consideration of this reduction of production on the part of the producers two payments will be made. The first, or rental payment, is to be $17.50 per acre for each acre kept out of tobacco production during 1934. The second, or adjustment payment, is to be an amount equal to 12½ percent of the net market value of the tobacco produced on the farm for market under the terms of the contract. If for any reason the quantity of tobacco grown on the farm for market is less than the initial production allotment a payment of 2 cents per pound will be made on each pound of the deficiency. In the case of small growers, whose base tobacco acreage is less than 4 acres, the percentage for determining the adjustment payment is increased so as to allow for any loss that might be incurred because of having the production reduced to an uneconomical unit for curing.

Approximately $16,500,000 will be distributed to producers in payments for participating in the program to reduce production in

1934. The first or rental payment is to be made to the producer, who is defined as the landowner or lessor. The second or adjustment payment, in case the tobacco is grown with the aid of share tenants or share croppers, will be paid to a trustee designated by such tenants and croppers and the producer. The trustee shall distribute the payment to those so designating him as trustee, as their respective interests may appear, in the same proportion as the net market values of the respective shares of such persons in the tobacco produced on the farm in 1934 bear to the net market value of the total amount of such tobacco. In case the tobacco is not grown with the aid of share tenants or share croppers the adjustment payment will be paid to the producer.

PRICE-EQUALIZING PAYMENTS

In addition to these payments a price-equalizing payment will be made to those participating growers who sold all or any part of their 1933 crop on the South Carolina and border-belt markets prior to October 28, and those who sold all or any part of their 1933 crop on markets other than the South Carolina and border-belt markets prior to October 7. These payments are designed to equalize insofar as possible the prices received for tobacco sold on the markets before the adjustment program and marketing agreement became effective and tobacco sold after that time.

The full advance in prices resulting from the adjustment program and the marketing agreement did not take place immediately after the marketing agreement was signed. Some time was required, particularly among the exporting buyers, for the effect of the reduction of the 1934 crop fully to reflect itself in the bidding on the markets. On some markets more time was required than on others. For this reason the period covered by the price-equalizing payments for the South Carolina and border-belt markets was extended to October 28, whereas the period covered by these payments for other markets ended October 7.

The amount of the price-equalizing payment for tobacco sold on the markets prior to September 25 is to be 20 percent of the net market value of such tobacco, and the amount of the payment for tobacco sold on markets from September 25 to October 28, inclusive, is to be 10 percent. The Georgia growers marketed all of their tobacco, the South Carolina and border-belt growers marketed nearly all of theirs, and the eastern North Carolina growers marketed a large part of theirs during the period covered by these payments. It is estimated that the total amount of the payments will be approximately $4,275,000.

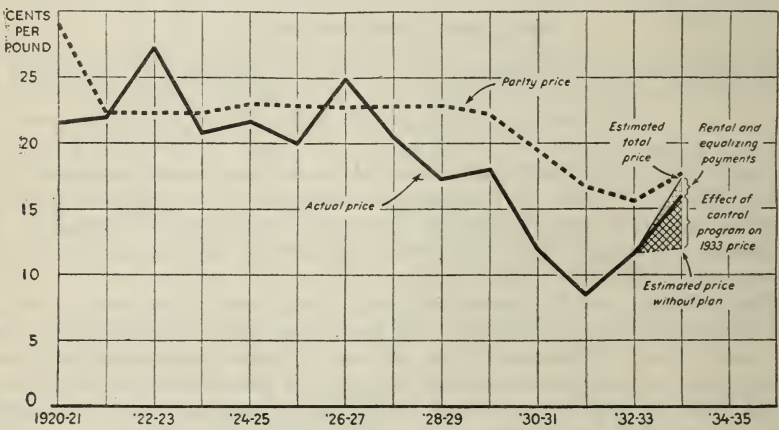
BUSINESS IMPROVEMENT MARKED

Following the inauguration of the adjustment program prices materially advanced on the flue-cured tobacco markets. During the month of November the daily average prices for a number of individual markets frequently exceeded 20 cents per pound. As a result of this price advance it is expected that flue-cured tobacco growers will receive for their 1933 crop on the market about $30,000,000 more than they otherwise would have received. The estimated total value of the 1933 crop is $115,000,000 compared with $44,000,000 for the 1932 crop and $56,000,000 for the 1931 crop.

This tremendous increase in total income from flue-cured tobacco has given a great stimulus to business in the flue-cured area and has

brought about renewed hope, enthusiasm, and optimism on the part of tobacco growers. Many old debts and mortgages are being paid off, trade in every line has been stimulated, and the flow of commerce in many channels has been increased. All this has worked toward the attainment of the objectives of the Agricultural Adjustment Act by tending to give flue-cured tobacco a purchasing power equivalent to its purchasing power during the base period from August 1919 to July 1929.

Chart 14.—Flue-Cured Tobacco: Parity and Actual Prices, 1920–33



III. BURLEY TOBACCO PROGRAM

The production of burley tobacco ranks second in importance only to flue-cured. It is grown over a wide area in Kentucky, Tennessee, and nearby States. About 95 percent of it is consumed domestically, being used largely for cigarettes, smoking tobacco, and chewing tobacco.

Present supplies of burley tobacco are excessive. From 1929 to 1933 production so far exceeded consumption that stocks increased from 332,000,000 pounds in 1929 to 616,000,000 pounds in 1933. The 1933 crop is estimated to be fully 125,000,000 pounds above the level of consumption, which will further increase the already burdensome stocks. This continued overproduction appears to have been due to influences growing out of the depression. Consumption of products in which burley tobacco is used did not decline materially, but production was increased during this period because of the effort of farmers to obtain sufficient income to meet current expenses and pay debts.

BURLEY TOBACCO PRICES

Prices paid growers for burley tobacco declined from 21½ cents per pound in 1929 to 8.7 cents per pound in 1931. In 1932 the market average price was increased to 12.6 cents per pound, owing largely to unusual competitive conditions in the manufacturing industry. The fair exchange value of the 1932 crop was 14.6 cents per pound.

The unusual competitive conditions during the 1932 marketing season were brought about because of the so-called "10-cent" ciga-

rette. Sales of the low-priced cigarettes had greatly increased during the depression, and it was reported that manufacturers of these brands had practically exhausted their stocks of tobacco. Manufacturers of the "standard" brands of cigarettes were anxious to protect their inventory position and, even though their stocks were large, they gave strong competition on the markets.

In considering the price prospects for the 1933 crop it was recognized that the supply situation was less favorable than a year ago and that there was little likelihood that competitive demand conditions would be anything like as favorable as last year. Between January 2, 1933, and February 12, 1933, wholesale prices of the so-called "standard" brands of cigarettes were reduced from $6.85 per thousand to $5.50 per thousand, which was nearly to the level of the lower-priced brands. Sales of the lower-priced brands fell off rapidly, so that stocks of tobacco held by these manufacturers then became materially larger than needed for the reduced volume of output.

PRODUCTION ADJUSTMENT

Faced with record stocks in the hands of dealers and manufacturers, and the second largest crop in history, it was evident that any program designed to bring about an improvement must rest upon production control measures. During July representatives of the Administration held conferences with a number of the leading burley growers and interested citizens in the burley district. It was the consensus of opinion of all present at these conferences that some immediate action was needed to improve the situation.

Work was begun with the aid of representatives of the colleges of agriculture of Kentucky, Tennessee, and Virginia upon a production-adjustment plan for burley tobacco, under which it was proposed to reduce the 1934 crop to not more than 250,000,000 pounds, compared with a crop of around 400,000,000 pounds in 1933. After a preliminary contract for growers had been completed, further conferences were held in Washington at which leading growers and Congressional Representatives were present.

Final contracts were offered to growers beginning about the middle of December and the sign-up campaign is now nearing completion. It is reported that a very large percentage of the growers have signed these contracts, under which the option is given for reducing tobacco acreage and tobacco production in 1934 by either 33⅓ percent or 50 percent of a base selected from the years 1931, 1932, and 1933. The contract provides that the base tobacco acreage and base tobacco production for a farm shall both be one of the following:

(*a*) The average of 1932 and 1933
(*b*) Eighty percent of the average of 1931, 1932, and 1933
(*c*) Eighty percent of the year 1932
(*d*) Seventy-five percent of the year 1933

Each grower who takes part in the program will receive a rental payment of $20 per acre for the rented acreage and two adjustment payments. The rates of the adjustment payments will vary in accordance with whether the reduction chosen by the producer is 33⅓ percent or 50 percent. For those who reduce 33⅓ percent, the first adjustment payment shall be not less than 10 percent of the net sale value of the 1933 crop. For those who reduce 50 percent, this payment

shall be not less than 15 percent of the net sale value of the 1933 crop. In no event shall the first adjustment payment be less than $15 per rented acre or more than $45 per rented acre.

It will be noted that the rates of the first adjustment payment, as specified in the contract, are minimum rates. On January 22, 1934, the following announcement was made by the Agricultural Adjustment Administration:

> If the average price for the current season should be as low as 10 cents, the rate of the adjustment payment for those growers who reduce 33⅓ percent will be increased from 10 percent of the net sales value of the crop to 25 percent and the rate for those who agree to reduce 50 percent will be increased from 15 percent to 30 percent. If the market price should average 11 cents per pound, the rates of the first adjustment payment would be increased to somewhere between the minimums provided in the contract and the increase stipulated in the event of a 10-cent average.

The second adjustment payment shall be not less than 15 percent of the net sale value of the 1934 crop for producers who reduce 33⅓ percent, and not less than 35 percent of the net sale value of the 1934 crop for those whose reduction is 50 percent. If for any reason the amount of the 1934 crop which is grown for market is less than the initial production allotment a payment of 2 cents per pound will be paid for each pound of the deficiency. The total of all the above payments, at the rates specified in the contract, is estimated at approximately $15,000,000, of which nearly $10,000,000 will be paid during the current marketing year.

The contract gives the Secretary of Agriculture the right to require a reduction of acreage and production in 1935 not to exceed 50 percent of the base tobacco acreage and base tobacco production chosen by the producer. (See exhibit 25 of appendix I.)

PROCESSING TAX

To provide funds for financing the production adjustment program, a processing tax equal to the full difference between the current average farm price and the fair exchange value (2 cents per pound), was levied on the first domestic processing of burley tobacco.

As indicated previously, burley tobacco is consumed almost exclusively in the United States, consequently nearly all of it is subject to processing taxes. If, in levying a processing tax to make up the full difference between the current average farm price and the fair exchange value, the revenues derived from such taxes should be paid to growers who take part in a program of production control, these growers would eventually receive the fair exchange value for at least that portion of their production which is equal to domestic consumption. Under such a plan, the participating growers could always be assured of receiving the fair exchange value for their entire production, so long as it did not exceed domestic consumption. A part of this would be received in the form of prices paid on the market and the remainder would be received in the form of payments under the control program.

MARKETING AGREEMENT

Inasmuch as that portion of the returns obtained by the grower in the form of prices received on the market reaches him much sooner than the portion which has to be collected through processing taxes,

the Administration made every effort to bring about an increase in market prices for the 1933 crop. Before the markets opened, negotiations were begun upon a marketing agreement with the principal domestic buyers.

Direct purchasing of tobacco by the Government was urged by some of those representing burley growers, as a means of increasing the price of the 1933 crop. A similar proposal was made by the leading manufacturers using burley tobacco, who insisted that it become a part of the marketing agreement. The Administration refused this proposal on the ground that it involved the dangerous practice of stabilization, and proceeded upon negotiations for an agreement which did not include this feature.

A formal hearing was held upon the marketing agreement December 21, 1933, and the agreement was signed by the Secretary of Agriculture January 6, 1934. Under the terms of the agreement each contracting buyer, except two, agreed to purchase on the markets between December 11, 1933, and April 15, 1934, a number of pounds of burley tobacco of the 1933 crop at least equal to the number of pounds of such tobacco (farm sales weight) used during the period of 12 months ended October 31, 1933. The exceptions to the above were Axton-Fisher Tobacco Co. and Brown & Williamson Tobacco Corporation, which agreed to purchase 1,250,000 pounds and 25,000,000 pounds, respectively. Each signatory company agreed to pay at least 12 cents per pound for all its purchases, with the provision that if the average price for the entire crop is 12 cents or more per pound the Brown & Williamson Tobacco Corporation shall pay at least 10½ cents per pound for its purchases. The signatory companies were:

The American Tobacco Co.
Continental Tobacco Co.
Philip Morris & Co., Ltd., Inc.
Larus & Brother Co.
Liggett & Myers Tobacco Co.
R. J. Reynolds Tobacco Co.
P. Lorillard Co.
United States Tobacco Co.
Brown & Williamson Tobacco Corporation.
Axton-Fisher Tobacco Co.

The commitments of the contracting buyers as to purchases do not go beyond the quantities manufactured last year, which have been estimated at 260,000,000 pounds. With the 1933 crop reckoned at around 400,000,000 pounds, this leaves 140,000,000 pounds for which no definite commitment has been made. A part of this will be purchased by exporters. Most of the remainder probably will go to leaf tobacco dealers, who normally purchase a considerable portion of each burley crop, but it is likely that the contracting buyers themselves will take a part of it. Those whose business has gained during the past few months and those whose stocks are not excessively large are expected to buy more than their commitments.

RESULTS EXPECTED

The objective of the Administration's plan for burley tobacco is to raise the level of income to the grower. The first step in accomplishing this objective was to bring production into line with market requirements. It is expected that fully 90 percent of the growers will

sign contracts to reduce production, and that the 1934 crop will be below the level of world consumption. This will make it possible to bring about some reduction in surplus stocks.

Studies made by the Department of Agriculture indicate that without any adjustment program or marketing agreement, the 1933 crop probably would have brought no more than 8 cents per pound. In 1931, when the supply of burley was about 20 percent less than at present, the crop sold for an average of 8.7 cents per pound.

It is expected that under the present plan the 1933 crop can be made to average around 11 cents per pound. Should the contracting buyers purchase only their minimum commitments of 260,000,000 pounds at the minimum average price of 12 cents per pound, the remaining 140,000,000 pounds would need to average only 6 cents in order for the entire crop to bring an average of 10 cents. It is not believed that competition in the tobacco industry will permit this 140,000,000 pounds of tobacco to be sold at such low prices, in comparison with the prices paid by the contracting buyers.

Each of the contracting buyers agrees to purchase in the usual and ordinary manner, and not to buy unduly of the higher grades in order to defeat the purposes of the marketing agreement. In the event that the buyers do not fulfill the terms of this agreement and assessments have to be made upon them, the funds derived from such assessments will be distributed to those growers who participate in the adjustment program.

The total income of growers from burley tobacco during the current marketing season will be fully $55,000,000, of which around $45,000,000 will be received from sales on the market and the remainder in the form of rental and adjustment payments. The total income received from each of the past two crops of burley tobacco was $39,000,000.

IV. FIRE-CURED TOBACCO PROGRAM

Fire-cured tobacco represents between 10 and 15 percent of the total tobacco production of the United States. It is grown principally in Kentucky, Tennessee, and Virginia. In recent years, about two thirds of the crop has been exported, and formerly a much larger proportion of it was consumed abroad. In the United States it is used largely for the manufacture of snuff and, to a lesser extent, for cigars.

World consumption of United States fire-cured tobacco has declined nearly 50 percent in the last 10 years. Exports declined from around 200,000,000 pounds in 1923 to below 100,000,000 pounds during the last few years. Domestic consumption showed only minor fluctuations from 1922 to 1930 but in 1933 consumption was about 10 percent below the level of 1930.

Production of fire-cured tobacco has been reduced materially but not enough to bring supply into line with consumption. Production in 1933 was 138,000,000 pounds, which is above the estimated world consumption for the current year. Approximately one third of the 1932 crop is still in the hands of the farmers and farmers' organizations. In addition, stocks in the hands of the trade are considerably out of line with consumption.

Average prices paid growers for fire-cured tobacco declined from 13.2 cents per pound in the 1929 season to 5.1 cents in the 1931 season.

Prices for the 1932 crop averaged only 6 cents per pound, notwithstanding the fact that the production was about 30 percent below that of 1931. The fair exchange value for the 1932 crop was 8.9 cents per pound.

PRODUCTION ADJUSTMENT

During the summer of 1933, a number of the leading growers of fire-cured tobacco conferred with representatives of the Administration regarding plans for this tobacco. One such meeting was held in the principal producing area of western Kentucky and Tennessee. It was agreed that a further adjustment in supplies would be required before a material improvement in prices could be expected. At that time, it was evident that the 1933 fire-cured crop would be larger than the 1932 crop and that stocks would not be reduced during the year.

Following these conferences the Administration began to develop a program for adjusting production. Representatives of the colleges of agriculture of Kentucky, Tennessee, and Virginia were called to Washington to assist in this work. When preliminary plans for the reduction had been formulated and a tentative contract for growers was drawn up, a series of conferences was held with leading growers and officials of the fire-cured tobacco cooperative marketing associations and others interested in fire-cured tobacco. The final contract was then drawn up and the plan was announced December 11, 1933.

The contract provides for a reduction in the tobacco acreage and tobacco production of each farm in 1934 of 25 percent below a base chosen by the producer. The base tobacco acreage and base tobacco production for a farm shall both be one of the following:

(*a*) The average acreage and production of 1932 and 1933
(*b*) The 1932 acreage and production, provided the 1932 acreage was not more than 10 percent greater than the 1933 acreage
(*c*) The 1933 acreage and production, provided the 1933 acreage was not more than 20 percent greater than the 1932 acreage
(*d*) Eighty percent of the 1933 acreage and production
(*e*) Fifty percent of the 1931 acreage and production

Each grower who takes part in the program will receive a rental payment of $12 per acre for each acre retired from tobacco production, and two adjustment payments. The first adjustment payment shall be an amount not less than 7½ percent of the net sale value of the producer's 1933 tobacco crop. The second adjustment payment shall be an amount not less than 7½ percent of the net sale value of the producer's 1934 tobacco crop. If for any reason the amount of the 1934 crop which is grown for market is less than the initial production allotment, a payment of 1¼ cents per pound will be paid for each pound of the deficiency. The total of all payments will be about $1,800,000.

The contract gives the Secretary of Agriculture the right to require a reduction of tobacco acreage and tobacco production in 1935 not to exceed 25 percent of the base chosen by the producer.

PROCESSING TAX

To finance the production adjustment program a processing tax, effective October 1, was levied upon the first domestic processing of fire-cured tobacco. The rate of tax levied was 2.9 cents per pound, which was equal to the full difference between the current average farm price and the fair exchange value.

MARKETING AGREEMENTS

As soon as the campaign to reduce production was well under way and before the marketing season had opened for the 1933 crop, negotiations were begun for two marketing agreements with the principal domestic manufacturers using fire-cured tobacco, under which they would agree to pay higher prices for this crop.

The three leading manufacturers of snuff entered into a marketing agreement under which they would agree to advance the prices paid for their purchases substantially above the levels of either of the last 2 years. This agreement covers tobacco of all the fire-cured types, and some tobacco of the Green River and One Sucker types (dark air-cured). Inasmuch as prices of the snuff grades of tobacco had not declined as much during the depression as had the prices of other grades, the amount of advance requested of the snuff companies was not as great as that which was sought in the market average. As in the case of flue-cured tobacco, it was anticipated that the exchange ratios existing between the currencies of the United States and foreign countries would stimulate the prices paid by exporters. Each of the snuff companies agreed to purchase as large a quantity of tobacco out of the 1933 crop as it manufactured last year, the total of the three companies being about 30,000,000 pounds. The prices ranged from 7.5 cents to 14 cents per pound for the different companies and averaged approximately 11 cents per pound. The following are the companies:

The American Snuff Co.
George W. Helme Co.
United States Tobacco Co., Inc.

A minimum-price agreement has been entered into with respect to the lower grades of fire-cured tobacco and Green River tobacco. This agreement provides that such tobacco of these types as has not brought a specified bid on an auction market would be removed at a minimum price to the producer.

Any tobacco of the so-called western fire-cured types, or the Green River type (dark air-cured), up to a total of 15,000,000 pounds, for which a minimum price bid of 1½ cents per pound has not been received on the market, would be taken by one of the three leading manufacturers of tobacco byproducts at a price of 1¼ cents per pound. Many of the grades of tobacco affected recently have sold at between one third and three fourths cent per pound. The annual quantity of such tobacco used for the manufacture of byproducts (nicotine, fertilizer, and tobacco extract) formerly has not exceeded 7,000,000 pounds. The companies are as follows:

American Nicotine Co.
Tobacco By-Products & Chemical Corporation
Nicotine Production Corporation

For Virginia fire-cured tobacco the minimum-price agreement provides that those grades which have not brought a minimum bid of 1 cent per pound on the market would be taken at eight tenths cent per pound by either the Tobacco By-Products & Chemical Corporation, or G. Stalling & Co., depending upon the markets involved. The minimum price established for Virginia fire-cured tobacco was below that established for the western fire-cured tobacco, owing to the excessive supply of the low-grade Virginia tobacco and its lower nicotine content.

RESULTS EXPECTED

The first step toward increasing the income of growers of fire-cured tobacco was to bring about a reduction in the supply of this tobacco. It is expected that production in 1934 will be reduced fully 25,000,000 pounds under the adjustment program, and that the total supply a year hence will be about 7 percent less than at present.

It is expected that as a result of this reduction of production and the marketing agreements the market average price will be increased so that fire-cured producers will receive fully one third more for the 1933 crop than they received for the 1932 crop. The total farm income for fire-cured tobacco during the current marketing year, including rental and adjustment payments, will be more than $12,000,000 compared with $7,500,000 received from the 1932 crop.

V. DARK AIR-CURED TOBACCO PROGRAM

Dark air-cured tobacco represents less than 5 percent of the total tobacco production of the United States. It is grown principally in Kentucky, Tennessee, and Virginia. In former years about one half or more of the production was exported, but recently less than one third has been exported. In the United States it is used principally in the manufacture of chewing tobacco and smoking mixtures.

During the last decade world consumption of United States dark air-cured tobacco declined about 50 percent. Foreign consumption declined about 75 percent. Exports for the crop year 1932–33 were at a record low level. Consumption of chewing tobacco, the principal domestic outlet, declined about 40 percent during the last 10 years.

Production has not been reduced sufficiently to bring supply into line with the reduced consumption. Production for 1933 is approximately the same as the estimated world consumption, consequently the large accumulation of stocks will not be reduced during the year.

Prices of dark air-cured tobacco declined from 10.8 cents per pound for the 1928 crop to 3.5 cents per pound for the 1931 crop, and were only 4.1 cents for the 1932 crop. The fair exchange value of the 1932 crop was 7.4 cents per pound.

PRODUCTION ADJUSTMENT

Conferences with representative growers were begun last summer to discuss plans for applying the provisions of the act to dark air-cured tobacco. One such conference which was held on August 24, 1933, at Princeton, Ky., was attended by a large number of growers, interested citizens, and representatives of the University of Kentucky.

It was generally agreed that any permanent improvement in the prices of dark air-cured tobacco must be based upon a reduction in market supplies.

In cooperation with representatives of the colleges of agriculture of Kentucky, Tennessee, and Virginia, tentative plans for a production adjustment program were formulated and a preliminary contract was drawn up. Several conferences of representative growers were then held in Washington for the purpose of discussing this program, and many helpful suggestions were received at these conferences. The final contract was then drawn up and the plan was announced December 12, 1933.

The contract provides for a reduction of tobacco acreage and tobacco production by each producer in 1934 to 30 percent below a base chosen for his farm. The base tobacco acreage and base tobacco production for a farm shall be selected from the following:

(*a*) The average acreage and production of 1932 and 1933
(*b*) The 1932 acreage and production, provided the 1932 acreage was not more than 10 percent greater than the 1933 acreage
(*c*) The 1933 acreage and production, provided the 1933 acreage was not more than 20 percent greater than the 1932 acreage
(*d*) Eighty percent of the 1933 acreage and production
(*e*) Fifty percent of the 1931 acreage and production

Each grower who takes part in the program will receive a rental payment of $12 per acre for each acre retired from the production of tobacco, and two adjustment payments. The first adjustment payment shall be an amount not less than 10 percent of the net sale value of the producer's 1933 tobacco crop. The second adjustment payment shall be an amount not less than 10 percent of the net sale value of the producer's 1934 tobacco crop. If, for any reason, the producer's 1934 tobacco crop is less than his initial production allotment a payment of 1¼ cents per pound shall be paid for each pound of the deficiency. The total of all payments is estimated at approximately $770,000.

The contract gives the Secretary of Agriculture the privilege of requiring the producer to limit the acreage and production of tobacco in 1935 by not more than 30 percent of the base for his farm.

PROCESSING TAX

To finance the production adjustment program a processing tax was levied upon the first domestic processing of dark air-cured tobacco, effective October 1, 1933. The rate of tax levied was 3.3 cents per pound, which was equal to the full difference between the current average farm price and the fair exchange value.

MARKETING AGREEMENT

As soon as the campaign to reduce production was well under way, negotiations were begun for a marketing agreement with the principal domestic manufacturers using dark air-cured tobacco under which they would agree to pay higher prices for the 1933 crop.

Before the markets opened for the season, each of the companies agreed to purchase out of the 1933 crop at least as many pounds of each of the three dark air-cured types as they used for manufacture last year. Each company agreed to pay not less than 7 cents per pound for all its purchases of One Sucker and Green River tobacco, and agreed to pay not less than 7½ cents per pound for all its purchases of Virginia sun-cured tobacco. All these prices are substantially above the levels paid during the past 2 years. In the case of the Green River type the increase represents approximately 100 percent.

As indicated in the discussion under marketing agreements for the fire-cured types, some of the provisions of those agreements also affect the dark air-cured types.

RESULTS EXPECTED

It is expected that as a result of the adjustment program, production in 1934 will be reduced about 10,000,000 pounds below that of 1933. This will bring the 1934 crop below the level of consumption and will make it possible to remove a portion of the surplus stocks.

Prices for the 1933 crop are expected to be fully 50 percent higher than prices for the 1932 crop. The total income received by the growers of dark air-cured tobacco during the current market season, including rental and adjustment payments, will be around $3,000,000 compared with approximately $1,500,000 received for the 1932 crop.

VI. MARYLAND TOBACCO PROGRAM

Maryland tobacco is produced within a comparatively small area in southern Maryland. In former years somewhat more than half the production has been exported, but in recent years exports have declined.

During the last 3 years the annual production of Maryland tobacco averaged approximately 24,300,000 pounds. Of this amount about 9,000,000 pounds were exported, about 9,000,000 pounds were used by domestic consumption, and about 6,300,000 pounds were added to stock. Stocks of Maryland tobacco in the United States increased from 9,500,000 pounds on July 1, 1930, to 28,400,000 pounds on July 1, 1933. This accumulation has taken place largely in the lower grades owing to the restricted purchases of such grades by foreign buyers.

PRODUCTION ADJUSTMENT

Beginning in the summer of 1933 several conferences were held with representatives of the University of Maryland, leading growers, and others interested in Maryland tobacco with a view of developing a plan for improving the farm income for this tobacco. At these conferences it was developed that the principal problem in the case of Maryland tobacco has been the reduced outlet for the low-quality export grades.

The program which was developed for Maryland tobacco is a combination of the recommendations proposed by the growers, adapted to the general policies of the Administration with respect to plans for the adjustment of supplies for other kinds of tobacco. The object of the Maryland plan is to reduce the production of Maryland tobacco in order to bring supply into line with consumption. Inasmuch as the surplus of this tobacco consists of low grades, the plan has been drawn with a view of attracting only producers whose tobacco runs largely to low grades.

The contract provides that each producer shall reduce his tobacco acreage and tobacco production 25 percent below a base for his farm, which is determined from the acreage and production of the last 3 years.

Each producer shall receive a rental payment of $20 per acre for each acre retired from tobacco production, and an adjustment payment of 25 percent of the computed market value of the production which might have been grown upon the rented acres. The contract is so drawn that it is possible to determine the total payments required to be made by the Administration at the time the contract is signed.

For this reason, the number of contracts which will be accepted by the Secretary will be limited to the number which can be covered by the funds available from processing taxes. In other words, when a sufficient number of contracts have been signed to use up the estimated processing tax fund of $140,000, the sign-up will be closed.

RESULTS EXPECTED

It is not expected that more than 40 percent of the growers will find it to their advantage to sign contracts under this program. With a full sign-up of 40 percent of the growers, the production of Maryland tobacco in 1934 would be reduced approximately 10 percent below the average of the last three years. Reduction would be made in the low grades, which would help to reduce the surplus of these grades.

VII. CIGAR-LEAF PROGRAM FOR PUERTO RICO

Under the Agricultural Adjustment Act provision is made for extending the commodity benefits to growers in Puerto Rico. A program for adjustment of the production of cigar-leaf tobacco in Puerto Rico is now being developed.

The Puerto Rican cigar-leaf tobacco is of the filler type. Most of this type is shipped to the United States, where it enters into competition with the filler types produced in Pennsylvania and the Miami Valley.

A representative of the Agricultural Adjustment Administration has gone to Puerto Rico for the purpose of developing a program to be applied to this tobacco. A tentative contract has been drawn up under which it is provided that a reduction will be made in the crop to be harvested this year. It is expected that the final contract will be ready to offer growers within the next few weeks.

VIII. CODES OF FAIR COMPETITION

About 50 localized organizations in the tobacco industry have submitted codes of fair competition under the National Industrial Recovery Act to the Administration. Work is now being done to consolidate these codes, and up to this time the following four master codes have been worked out: (1) Tobacco distributors and retail dealers; (2) auction loose-leaf warehousemen; (3) leaf dealers; and (4) cigar manufacturers. A fifth master code which is under consideration would affect the manufacturers of cigarettes and the manufacturers of tobacco.

Pursuant to Executive order, the proposed draft of the code for tobacco distributors and retail dealers was transferred to the National Recovery Administration on January 16, 1934.

A brief summary of the net collections and expenditures for the various tobacco programs, not including Puerto Rico, as estimated for the Bureau of the Budget, is given in table 13.

TABLE 13.—*Tobacco program estimates covering marketing period Oct. 1, 1933, to Sept. 30, 1935*

NET COLLECTIONS:	
Processing taxes	$48, 395, 805
EXPENDITURES:	
Rental and benefit payments	39, 740, 000
EXCESS OF COLLECTIONS OVER EXPENDITURES FOR ENTIRE PROGRAM	8, 655, 805

The amounts of payments estimated for the different types of tobacco are given in table 14. This includes Puerto Rico.

TABLE 14.—*Summary of estimated payments under tobacco production adjustment program with respect to crops of 1933 and 1934*

Kind of tobacco	Payments with respect to 1933 crop, July 1, 1933–June 30, 1934	Payments with respect to 1934 crop			Total payments with respect to 1933 and 1934 crops, July 1, 1933–June 30, 1936
		July 1, 1933–June 30, 1934	July 1, 1934–June 30, 1935	July 1, 1935–June 30, 1936	
Cigar leaf:					
Continental United States	$3,000,000		$2,500,000		$5,500,000
Puerto Rico			1,000,000		1,000,000
Flue-cured	4,275,000	$4,300,000	8,000,000		16,575,000
Burley		3,000,000	11,950,000		14,950,000
Maryland		70,000		$80,000	150,000
Fire-cured		444,000	1,354,000		1,798,000
Dark air-cured		180,000	587,000		767,000
Total payments	7,275,000	7,994,000	25,391,000	80,000	40,740,000

CHAPTER 6

CORN AND HOGS

SALIENT FACTS ABOUT THE CORN-HOG PROGRAM

1. Number of farmers to whom 1934 corn-hog contracts were sent	1, 500, 000
2. Maximum total available for benefit payments to farmers who sign corn-hog contracts	$350, 000, 000
3. Percent reduction from average 1932–33 hog production required in contract	25 percent
4. Minimum reduction from average 1932–33 corn acreage required in contract	20 percent
5. Payment per head under 1934 contract for 75 percent of average hog production in years 1932–33	$5. 00
6. Benefit payment per bushel under provisions of contract for 20 percent of 1932–33 corn production	$0. 30
7. Amount expended to remove 6,188,177 pigs and 222,140 sows in emergency hog-buying campaign	$34, 000, 000
8. Available for loans of 45 cents per bushel on stored corn	$150, 000, 000

Since the passage of the Agricultural Adjustment Act on May 12, 1933, action to improve the purchasing power of the basic commodities, corn and hogs, has been completed or begun along five lines:

1. A temporary adjustment in hog supplies to support hog prices during the closing months of 1933 and the early part of 1934 by means of an emergency pig and sow marketing program, was conducted at principal livestock markets, August 23 to October 7, 1933.
2. Loans at the gross rate of 45 cents per bushel on warehoused corn were made available to farmers in the principal corn-growing States in late November.
3. Purchases of live hogs and hog products by the Federal Surplus Relief Corporation were arranged by the Administration as an additional means of supporting the hog market.
4. A corn-hog production adjustment program calling for a reduction in corn acreage in 1934 of at least 20 percent and in number of litters farrowed and hogs produced for market by 25 percent under the average of the past 2 years, involving a maximum of $350,000,000 in benefit payments to participating farmers, was announced in October and put into operation in December.
5. Informal conferences and a public hearing, looking toward the development of a satisfactory marketing agreement with packers, were held during the summer and fall of 1933 and detailed studies with respect to methods of marketing hogs were begun.

I. HISTORICAL AND ECONOMIC REVIEW

When the Agricultural Adjustment Administration came into being after the passage of the act, the corn-hog situation was both acute and

chronic. The price trend line for corn and hogs had been continuing downward over a period of years and an unfavorable price disparity, based on pre-war price relationships, had been in existence, with only one exception for each commodity, since 1921.

Chart 15.—Swine on Farms, April 1, 1930

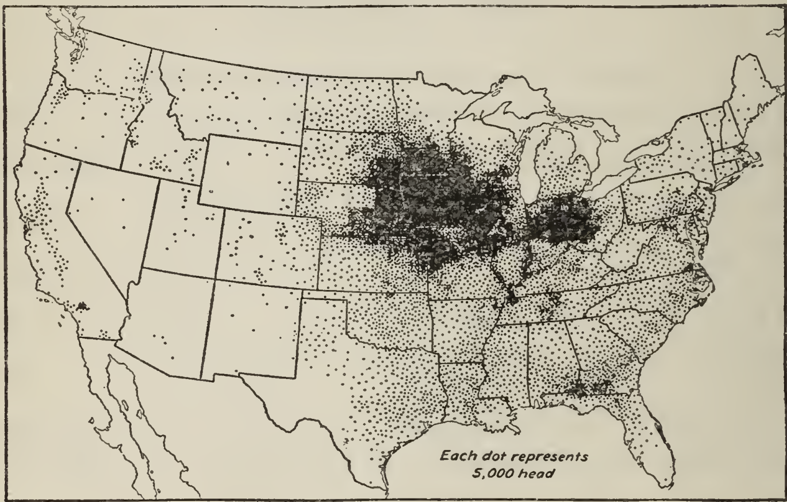
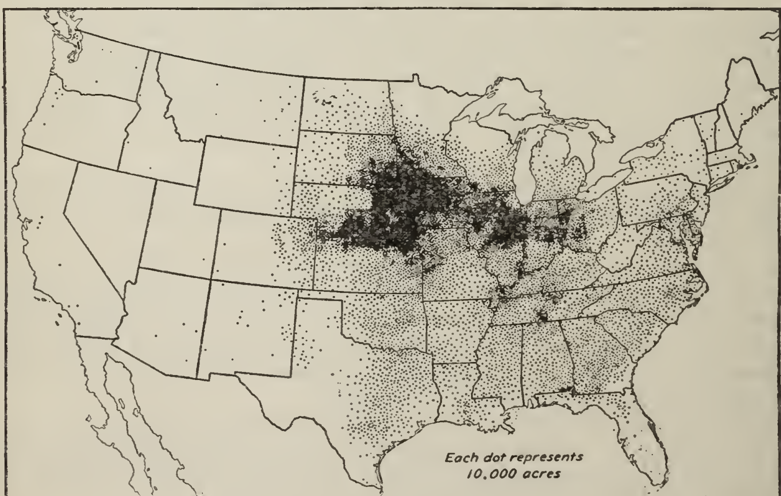


Chart 16.—Total Corn—Acreage for Grain, Silage, Forage, and Hogged Off, 1929



The corn-hog problem had been growing more serious from year to year because of fundamental changes in demand, which had come about primarily because of a post-war revival in foreign hog production.

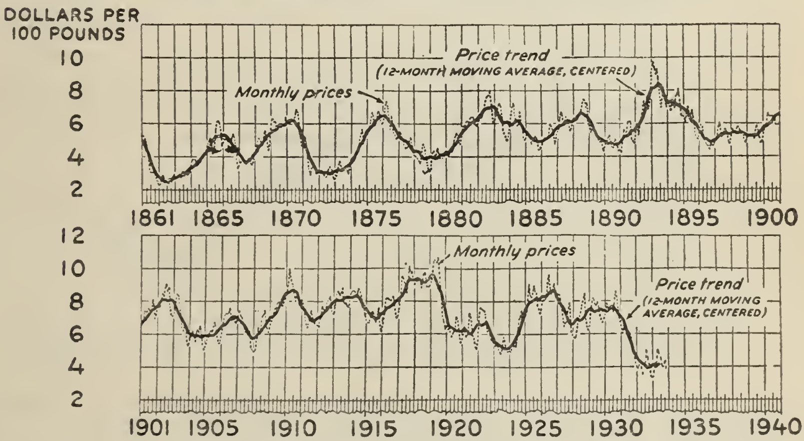
Over a period of years hog production in the United States increased at about the same rate as the country's population, but hog numbers in foreign countries, especially in Germany and Denmark, increased after the war at a very rapid rate. German hog production after 1921 more than doubled, and in January 1934 stood at the highest level on record. Under a similar program of expansion, Denmark increased its hog production to nearly five times its early post-war level.

The increase in hog production abroad displaced much of the former foreign demand for United States hog products. From 1923 to 1929, exports of hog products from the United States underwent a gradual decline until they were almost back to the pre-war export level. As the export outlet dwindled, the percentage of hog production available for domestic consumption increased. This was because there was no proportionate adjustment in hog production as the export trade fell off.

INTERNATIONAL TRADE RESTRICTED

After 1929, the decline in exports was accelerated by a marked increase in restrictions in international trade in hog products. These

Chart 17.—Prices of Heavy Hogs at Chicago, 1861 to Date (Adjusted to 1910–14 Price Level)



restrictions were the reflection of business depression in foreign importing countries and a chaotic condition in international financial relationships which had operated to lower consumers' incomes abroad and to promote the idea of agricultural self-sufficiency among importing countries. Many European countries encouraged heavier hog production among their own farmers, by furnishing a competitive advantage through tariffs and other devices operating against imports.

The decline in American exports of hog products from 1923, before European agriculture began to recover substantially from the war, until 1932 was equivalent to around 8,000,000 hogs.

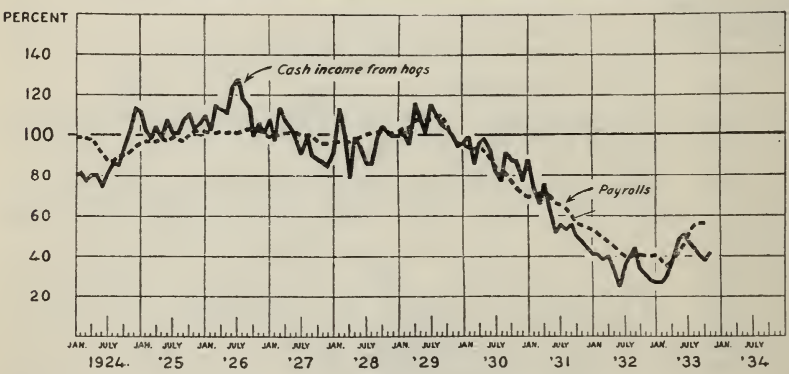
As a result of this increase in hog supplies abroad and the consequent decline in foreign demand for hog products, a larger-than-usual supply of hog products became available to the domestic market

in the United States. In keeping with the tendency for prices to fall if supplies do not change and the demand decreases, hog prices reacted downward through most of the post-war years. The pressure on the home market of surplus hog supplies, usually exported, drove hog prices and total income from hogs during the depression lower than they would otherwise have been. Consumers during the depression continued to spend about the same proportion of their income for pork as they would have spent for a smaller supply. In other words, the correlation between consumers' incomes and the total retail expenditures for pork and lard did not change materially during the depression. The producer's share was reduced primarily because the costs involved in the processing and distribution of the big hog crop were larger than if the number of hogs marketed had been smaller and more in line with real demand; that is to say, a larger percentage of the consumer's dollar would have been available to the producer if the hog crops had been smaller in recent years.

RIGHT-SIZED PRODUCTION PAYS MOST

At the same time, this could not be construed to mean that if hog supplies were successively decreased from year to year, the crop would

Chart 18.—Factory Payrolls and Cash Income from Hogs (Adjusted for Seasonal Variation, 1924–29=100)



return an ever-increasing larger income with respect to cost of things farmers buy. When hog supplies are too small with respect to the requirements of the consumers, prices of hog products are apt to go so high as to cause such a shift in consumption that consumers as a group actually may not spend as much in total for pork and lard as before, even at the much higher price per pound of product. It is the right-sized production that pays the most. Under present demand conditions, American hog production must be reduced to reach that point. In recent years, it has been in excess of reasonable requirements; and the price relationships at the time the act was passed compared with pre-war price relationships bear out this contention.

When the Administration first began work on the corn-hog problem, it was obvious from these facts that hog production would need to be substantially reduced over an extended period, if hog income as well as the price per pound of live animal was to be increased. The increases in agricultural production in foreign countries since 1920

seemed permanently established. Tariffs and other import restrictions remained as barriers against resumption of international trade. Prospects for an increase in the real demand—that is to say, demand which would take the unusually large hog production at increasingly higher prices here in the United States—were not encouraging even after allowance for some additional increase in demand by people who returned to work or by those who consumed additional hog products under Federal relief programs. It appeared that at the existing rate of hog production the quantity of pork and lard available to the home market still would exceed the amount the American people ate in the comparatively prosperous predepression period; consequently the price of hogs, relative to other things, could not be improved materially unless there was substantial adjustment of hog numbers.

EXCESS CORN PRODUCTION

A part of the chronic corn-hog problem was the excess production of corn. The corn production problem was not as obvious as the hog problem, largely because the corn actually was required for feeding the comparatively large number of hogs. In fact, the increase in hog production which came during the war and the early post-war years, in response to the temporary strong foreign demand, tended to obscure the corn problem. The increase in hog numbers came at the time when horse and mule numbers in this country began to decline; the increase in the production of the one absorbed the corn released by the other. Even after exports of hog production began to fall off, and the horse and mule numbers continued to decline, the corn problem still did not appear because hog numbers remained large.

But when it was proposed that hog production be substantially reduced it was immediately recognized that corn production would also have to be reduced, probably in about the same proportion. An abrupt reduction in the supply of hogs would release a large volume of corn for other purposes. First corn prices would decline with respect to prices of livestock. This in turn would tend to stimulate a renewal of heavy hog production and heavier production of other kinds of livestock. No real adjustment in agricultural output would be obtained in this way and the benefits of scaling down hog production would tend to be canceled out by the price-depressing effects of greater production of other meat animals.

As with hogs, potential new outlets of sufficient size to take up corn released by the hog reduction program, thus to avoid a corn acreage reduction, were not adequate. It was recognized that the manufacture and sale of distilled spirits upon repeal of the eighteenth amendment, the use of corn alcohol as motor fuel under present laws, and the pick-up in horse breeding would tend to absorb some corn, but altogether this would amount to only a small fraction of the surplus corn production.

OUTLOOK WAS DISCOURAGING

Besides devising a program which would adjust corn and hog production to these fundamental changes in demand over the preceding 12 years, the Administration also had to consider the immediate situation. Corn prices were unusually low at the time the act was passed, partly because of the large crop in the fall of 1932, and hog

prices were hanging at low levels because of the heavy marketing all through the spring months. Moreover, future prospects were not good because the 1933 spring pig farrow had shown a substantial increase over the previous year. Hog farrowings in the United States in the spring of 1933 had been 4 percent larger than in 1932. According to the June 1 pig survey, 13 percent more sows were bred to farrow in the fall of 1933 than in 1932.

On the demand side, foreign trade in hog products remained at a low level on account of increased foreign hog production and trade restrictions. Domestic payrolls had improved only moderately and the requirements of the people for hog products were not likely to increase sufficiently, even with substantial income increases, to support better hog prices with respect to prices of other things as long as the supply available to the domestic market remained heavy.

The mid-summer outlook for hog prices in 1933 was further weakened by the fact that the speculative demand for pork and lard had about run its course. Heavy runs of hogs continued to come to market all through the late spring and early summer months; there was no normal mid-summer bulge in hog prices. The packers had filled their cellars until the storage stocks of pork and lard on August 1 were the largest on record since 1929. It was practically certain that the offerings of pork and lard for domestic consumption would be greatly increased during the latter part of the year. The Administration and hog producers were especially concerned about this situation because if slaughter supplies continued comparatively heavy for the fall months, hog prices undoubtedly would drop by more than the usual seasonal decline of $1 per hundredweight from September to January.

CORN CROP UNUSUALLY SMALL

In July a new factor entered the immediate situation. Unfavorable weather over part of the Corn Belt had substantially reduced the corn prospects. It appeared that the crop probably would be slightly more than 2,200,000,000 bushels, one of the smallest crops in the last 30 years. Although it was recognized that the short crop probably would operate to reduce hog production for 1934 and 1935, it also had to be recognized that the short crop would not substantially affect the number of hogs produced for market from litters already farrowed nor the comparatively large number of sows already bred for fall farrow. There was a possibility that unfinished pigs might be sold in substantial numbers from drought areas but this could not be depended on to improve materially the immediate hog supply situation and certainly could not improve the position of the farmers forced by feed shortage to liquidate supplies.

II. PLANNING THE ADJUSTMENT PROGRAM

In view of the immediate situation as well as the need for fundamental future adjustments in number of producing units, Administration officials from the outset planned a two-phase adjustment program. The first phase involved some kind of plan for emergency adjustment in tonnage of live hogs to be marketed from litters already farrowed and in number of litters to be farrowed in the fall of 1933. The second phase involved the development of a program looking

toward a reduction in corn acreage or hog farrowings or both, not later than the 1934 production season.

The spirit of the Agricultural Adjustment Act was that all programs developed under it should be programs for voluntary cooperation on the part of farmers themselves; that is to say, the farmers themselves should have a hand both in the development of the programs and in administering them. As the corn-hog problem was complex in nature and would involve voluntary participation by several million farmers scattered over a wide territory and operating under varying conditions, the desirability of obtaining an expression from them in the development of any program was obvious. Yet at the time the act was passed there was not in existence an organization of adequate scope devoted exclusively to the corn-hog industry and eligible to speak authoritatively for corn-hog farmers. The development of such an organization, therefore, was one of the first matters that engaged the attention of the Administration.

While on a trip through the Middle West in late May and early June 1933, the Secretary of Agriculture suggested to several Iowa corn-hog producers the desirability of developing a strong producers' organization which might work closely with Administration officials in applying the Agricultural Adjustment Act to the corn and hog problem. On June 16, an open meeting for this purpose was called at Des Moines, Iowa, and a State corn-hog committee was selected. The successful organization of an Iowa committee suggested the possibility of setting up similar committees in other States. The Administration helped encourage meetings for this purpose in Kansas, Nebraska, South Dakota, Minnesota, Ohio, Illinois, Wisconsin, Indiana, and Missouri, all principal corn-hog producing States. After these State committees had been set up, a national meeting was called at Des Moines, Iowa, on July 18.

NATIONAL COMMITTEE SELECTED

The Des Moines meeting was held for the purpose of selecting a national committee of corn and hog growers from among the delegates of State committees in the various Corn Belt States. It was decided that this national committee should consist of 25 members, 21 of whom were to be elected from the 10 States on the basis of their corn and hog production as follows: Iowa, 5 members; Illinois, 3; Indiana, 2; Nebraska, 2; Minnesota, 2; Ohio, 2; South Dakota, 1; Wisconsin, 1; Kansas, 1; and Missouri, 2. The remaining four members were to be nominated by the presiding officer of the meeting.

The following were chosen as members of the new national body known as the "National Corn-Hog Producers' Committee of Twenty-Five":

Illinois.—Earl C. Smith, of Chicago; C. V. Gregory, of Chicago; J. R. Fulkerson, of Jerseyville.

Indiana.—W. H. Settle, of Indianapolis, and Claude Wickard, of Camden.

Iowa.—Roswell Garst, of Coon Rapids; Ralph Moyer, of Fairfield; R. M. Evans, of Laurens; Oscar Heline, of Marcus; and William McArthur, of Mason City.

Kansas.—Joe H. Mercer, of Topeka.

Minnesota.—A. J. Olson, of Renville, and C. B. Crandall, of South St. Paul.

Missouri.—R. W. Brown, of Carrollton, and Ira G. Drymon, of Lees Summitt.

Nebraska.—Dan Hildebrand, of Seward, and H. G. Keeney, of Omaha.

Ohio.—F. G. Ketner, of Columbus, and J. B. Wilson, of Rudolph.
South Dakota.—H. B. Test, of Frederick.
Wisconsin.—John B. Jones, of Madison.
At Large.—Edward A. O'Neal, of Chicago, Ill.; John A. Simpson, of Oklahoma City, Okla.; Louis J. Taber, of Columbus, Ohio; and Dr. O. O. Wolfe, of Ottawa, Kans.

Earl C. Smith, of Illinois, was selected as chairman, and Ralph H. Moyer, of Iowa, as secretary of the national committee.

Delegates to the meeting at Des Moines indicated that farmers generally were in favor of curtailing production of both corn and hogs in order to meet effective demand. A number of plans for making a substantial adjustment in production were discussed.

The conference of 76 delegates adopted the following resolutions:

1. In view of the present unfavorable ratio existing between the prices of corn and hogs, we urge that the Department of Agriculture immediately use every possible means to raise the prices of the present crop of hogs to a parity level. We appreciate the importance of keeping corn and livestock production in proper relation to each other. Furthermore, if parity prices are to be reached and maintained, production and consumption of corn and hogs must be regulated. We favor doing everything possible to increase consumption at home and abroad, and in addition we favor such reduction in production as may be necessary to maintain parity prices.
2. We recommend that producers be full and equal parties to any marketing agreement entered into by packers and the Secretary of Agriculture.
3. We recommend that such other suggestions as may be made from the floor be referred to the committee of twenty-five for careful study.

In order to expedite action on the development of a program promptly to strengthen hog prices, a subcommittee composed of Roswell Garst, chairman of the Iowa Corn-Hog Committee, Coon Rapids, Iowa; Edward A. O'Neal, president of the American Farm Bureau Federation, of Chicago, Ill.; Earl C. Smith, president of the Illinois Agricultural Association, Chicago, Ill.; Clifford V. Gregory, editor of Prairie Farmer, Chicago, Ill.; and Ralph Moyer, secretary of the Iowa Corn-Hog Committee, Fairfield, Iowa, was named to confer with representatives of the meat processors at Chicago on July 20.

MARKETING AGREEMENT CONSIDERED

The purpose of the Chicago meeting was to study the possibilities of improving the hog price situation through a marketing agreement (authorized by par. 2, sec. 8 of the act) between the meat processing industry and the Secretary of Agriculture. It was the opinion of the representatives of the meat processors that sufficient economies in the processing and distribution of hog products could be effected so as to increase hog prices, without involving proportionate increases in expenditure by consumers or a material curtailment in the supply of hogs offered processors by producers. (The marketing agreement is discussed later on in this report.)

The producer representatives emphasized the fundamental need of making an adjustment in corn and hog production in order that prices might rise substantially. The processor representatives were inclined to favor the development of a marketing agreement, and vigorous attempts to find outlets abroad for the hog surplus and the launching of an educational campaign to encourage domestic consumption of fresh pork. The processor representatives declared that the levy of a processing tax required to finance a direct production adjustment program would tend to depress hog prices. They were inclined

further to look with disfavor on curtailment of corn and hog production until all possibility of expanding both domestic and foreign outlets had been investigated.

SEVEN-POINT PROGRAM

At a subsequent session of this series of meetings between producer and processor representatives which began at Chicago on July 20, the entire National Corn-Hog Producers Committee of Twenty-five assembled and drew up a seven-point program as follows:

1. Development of a production reduction plan.
2. Investigation of possibilities for enlarging the outlet for hog products at home and abroad.
3. Removal of such restrictions upon processors imposed by antitrust laws, as is shown to be essential for the effectuation of economies in operation, provided the results of such economies will be reflected in high hog prices.
4. Prevention of pyramiding of processing taxes so that retail prices are not excessively increased.
5. Utilization of revenue from processing taxes and compensating taxes to keep hogs, cattle, sheep, and corn in proper relationship at parity price levels.
6. Gradual application of the processing tax, commencing with a moderate initial level, so as to hold down the floor stock taxes and to minimize any effect that the tax might have upon immediate price of hogs.
7. Avoidance of provisions in the agreement or relaxation of the Antitrust Act which would permit discrimination in favor of direct buying.

This program was presented for the consideration of the processor representatives. They concurred, except with respect to point 5. This was changed later to read, "Revenue from processing taxes to be used to keep hogs at parity prices."

The processor representatives asked that the following points also be considered:

1. That the initial levy of the processing tax be moderate, in order that the floor stocks tax might be moderate.
2. That a small processing tax be levied not before October 1, 1933.
3. That producers support efforts to obtain Government aid in financing exports of hog products, particularly to Russia.
4. That effort be made to increase domestic consumption of pork through a proposed buy-more-pork campaign to be conducted by packers.

After some discussion with respect to the current controversy on direct marketing versus terminal marketing, the producer representatives also adopted the following resolutions:

1. That there should be exact equality of conditions established between direct buying and terminal marketing.
2. That live hogs should be standardized when sold for the account of the producer.
3. That the Secretary of Agriculture should proceed immediately to place the two systems of marketing on a basis of equality and fairness, and further to investigate the effect of direct buying on hog prices with a view to establishing further rulings or regulations as might be shown to be in the interest of hog producers.

Following the meetings at Chicago, representatives of both producers and packers met with Administration officials to discuss the seven-point program and to make further suggestions. As the result of this conference a tentative outline for plans to aid corn and hog producers was drawn as follows:

1. Restoration of foreign markets for hog products through international agreements based on reciprocity.
2. Diversion of 2,000,000,000 pounds out of the regular consumer market by (*a*) subsidizing exports, (*b*) diversion to noncompetitive consumption, as through

the Red Cross and Emergency Relief, and (*c*) diversion to nonfood uses, such as tankage, whole hogs, or inferior cuts of hog products.

3. Develop marketing agreements which will effect economies in buying, processing, selling, and distribution, a percentage of which can be passed back to the farmer.

4. Control of production of both corn and hogs, either directly or indirectly.

III. EMERGENCY HOG-BUYING PROGRAM

Although the producers' representatives made a number of recommendations for improving the economic position of corn and hogs following their meetings at Chicago in July, they first focused attention primarily on the development of an emergency plan for reducing hog tonnage during the 1933–34 winter marketing season. Immediate action of this sort was regarded as necessary in view of the acute hog price decline which seemed likely to take place if all the hogs then in the feed lots, or to be farrowed by sows already bred, were fattened out and marketed.

Several plans for effecting an emergency adjustment in hog tonnage were proposed. One of them was a plan to place a graduated processing tax on heavy hogs, thus to encourage marketing at lighter weights. After some discussion it was agreed that a discriminatory tax of this sort on heavy weights would cause the marketing of hogs at earlier than usual dates, thus tending to reduce total tonnage, but that this would tend further to increase marketing during the late autumn period when supplies are comparatively heavy and a seasonal price decline ordinarily occurs.

It also was observed that a graduated tax plan would tend to discriminate against hog raisers in the western Corn Belt who habitually market hogs at weights heavier than those marketed by farmers in the eastern Corn Belt. In order to escape the graduated tax, western Corn Belt farmers would be obliged to make a larger reduction in average weight of their hogs and to that extent would have to make a relatively larger reduction in their hog tonnage. It was feared, too, that the reduction in the number of hogs sold above the minimum taxable weight would be offset by the heavier feeding of hogs in areas where the animals ordinarily would be marketed comparatively light.

PIG AND SOW BUYING FAVORED

The plan which met with most favor was that of buying up unfinished pigs and sows soon to farrow at market premiums. It was originally proposed at meetings of corn and hog producers' representatives in several of the Middle Western States during June and July 1933. Although a purchasing program of this sort had never been tried in this country, a number of producer representatives thought that the facts in the corn-hog supply-demand situation justified the attempt because it would make the quickest possible practical adjustment in hog numbers. It was pointed out that pig-buying programs had been successfully carried out in recent years in several of the European countries, particularly in the Netherlands and Denmark.

From August 7 through August 9, the special producers' committee headed by Roswell Garst, and the executive committee of the Institute of American Meat Packers conferred with Administration officials on the ways and means of putting an emergency program into operation.

In general, the groups favored the purchase of several million pigs weighing less than 100 pounds and about 1,000,000 sows due to farrow in the fall months. It was estimated that such purchases would reduce hog supplies for the 1933–34 marketing year by between 10 and 15 percent, would more than offset the increase in farrowings in the spring of 1933 and would prevent an increase in the 1933 fall farrow. The packer representatives indicated that they would be willing to go under contract to process and otherwise handle the animals for the account of the Secretary of Agriculture. The products from the slaughter were to be disposed of as the Secretary directed.

RUSSIAN TRADE POSSIBILITIES INVESTIGATED

At this time some hope was entertained that sufficient export trade with Russia might be arranged as to provide an outlet for the several hundred million pounds of hog products which would be obtained from the pig and sow slaughter. No definite and practical possibilities along this line, however, were disclosed upon inquiry through governmental and private foreign trade authorities.

As an alternative, it first was suggested that all products from the slaughter might be tanked in order to obtain the maximum effect on supplies entering retail trade channels. It was the judgment of those at the meetings, however, that public opinion would be hostile to any such scheme of disposal, however practical it might appear from the standpoint of keeping processing costs at a minimum and permitting the maximum reduction in the long run on supplies.

It also was suggested that the edible portion of the carcasses might be converted into low-value products, such as sausage, and sold through regular trade channels. It was finally decided, however, that distribution of cured products from the larger carcasses to needy families through the Federal Emergency Relief Administration (provided normal purchases of pork for relief purposes were maintained) and conversion of the remainder into inedible products to be stored and sold for the account of the Secretary would be the most feasible scheme of utilization.

In order to give representatives of interested groups an opportunity to present their suggestions and recommendations as to policy and procedure with respect to the proposed plan of buying pigs and sows at market premiums, the Administration on August 2 issued a call for a preliminary conference of representatives of producers, livestock marketing agencies, processors, wholesale and retail meat dealers, and others at Washington, on August 10.

NATIONAL COMMITTEE'S REPORT

At this meeting, Earl C. Smith, chairman of the National Corn-Hog Producers Committee, read a report for the committee, the main part of which is as follows:

In the brief time in which the committee has had an opportunity to look into the problems presented by the commodities of corn and hogs and their unquestioned relationship, and to offer recommendations as to the initial steps that should be taken to raise the price level of the respective commodities to a pre-war parity basis, we reached the conclusion that the problem must necessarily be met by addressing our thoughts to, first, an emergency program to be followed immediately by a possibly more permanent and effective method. We are therefore largely confining recommendations at this time to the emergency

phases of the problem—primarily recommendations to raise the price of hogs at the earliest possible time. We find very definite and substantial increases in the production of hogs both as to number and tonnage taking place, while at the same time a substantial decrease in normal outlets, both in the export and domestic markets, obtain. If such a condition is to be met, it necessarily calls for what ordinarily might be termed drastic measures.

To be more specific, economists of the Department advised that the increase in pigs farrowed, and to be farrowed, during 1933 will be approximately 7 percent greater than the farrowings of 1932. In terms of tonnage, this increase will amount to approximately 700,000,000 pounds of live weight pork. We are also informed that the decrease to normal exports amounts to approximately 500,000,000 pounds. Taken together, this presents a problem of removing at the earliest possible time and in the most economical way, approximately 1,200,000,000 pounds of pork production. In addition, some further reduction appears to be essential if we are to have a substantial raise in the price of hogs. The enormous increase in production, coupled with a decrease in normal market channels, has resulted in holding the price of hogs to approximately 50 percent of the pre-war parity price level.

To meet this situation, we recommend the removal from the domestic market of 500,000,000 pounds of pork and pork products between now and January 1, 1934, and a total of 2,000,000,000 pounds during the coming marketing year by any one, or a combination of the following methods, (*a*) encouraging the marketing of 4,000,000 pigs from 25 to 100 pounds average weight between August 15 and October 1, according to the following price schedule:

Weight	*Price per 100 pounds*
25 to 40 pounds	$9. 00
41 to 50 pounds	8. 50
51 to 60 pounds	8. 00
61 to 70 pounds	7. 50
71 to 80 pounds	7. 00
81 to 90 pounds	6. 50
91 to 100 pounds	6. 00

(*b*) Inducing the immediate marketing of 1,000,000 sows above 275 pounds in weight, soon to farrow, by offering a premium of $4 per head, plus the removal of the usual dockage.

It is proposed to dispose of the resulting meat and meat products from the best of these animals by the sale on a moderate basis to relief agencies, under definite agreements that their normal purchases of meat will not be reduced. The balance of the lower grades of meat, resulting from this type of marketing, should be condemned, tanked, and such salvage realized therefrom as would be possible without serious inconvenience or injury to the usual demand for this type of product. To make this program effective, we recommend that a very substantial or restrictive processing tax be placed upon all hogs above 235 pounds, live weight, other than packing sows, at the earliest practicable date.

It is further proposed that the revenue necessary to make prompt payment to farmers for their marketings of this class of animals, according to the suggested price schedules, be provided by a processing tax on all hogs marketed in the usual way during the next 12-month period. It is believed the net effect of these recommendations, if and when approved and put into operation, will remove from the market approximately 2,000,000,000 pounds of live-weight pork during the next 12-month period. This should result in a very substantial improvement in the price of hogs over and above the present price levels, plus any necessary processing taxes that it may be necessary to levy according to the recommendations submitted herewith.

In addition, this program will provide very substantial and necessary cash for the present owners of millions of pigs and brood sows who are in distressed areas where drought and insect pests have destroyed necessary feed, thus giving to the farmers engaged actively in the hog producing and feeding industry very substantial benefits. In making these recommendations, the committee is fully aware of its temporary character; and they are being made only to meet the present emergency. They will be followed, not later than October 1, by recommendations of a much more permanent and, we believe, effective character with the one purpose in mind of getting corn and hogs into a parity price relationship, and keeping them on such a basis.

A motion was made and seconded to the effect that the conference go on record as favoring the formulation of an emergency program at the earliest possible moment. The motion carried with no votes in opposition. Speakers representing a number of farm organizations also requested prompt action.

Administration officials immediately began drawing up an emergency plan based on the suggestions and recommendations which had been made by producers, packers, and other interested parties, as evidence of the need for a buying program.

ECONOMIC APPRAISAL OF PLAN

An economic appraisal of a combined pig and sow buying plan as had been suggested was made by economic advisers to the Administration. This appraisal pointed out the following:

> An immediate need from the standpoint of national recovery is to increase farm purchasing power as well as to increase pay rolls generally. Higher hog prices would add materially to farmers' buying power. The purchase of light pigs and sows at a price well above the prevailing market will add to the farmers' income during the next 6 weeks.
>
> The corn crop has been reduced by nearly two thirds in Oklahoma, 45 percent in South Dakota, 43 percent in Illinois, 34 percent in Indiana, 32 percent in Missouri, 26 percent in Ohio, and 20 percent in Iowa under the 1932 figures, according to August 1 official crop report. The production of all other feed grains, forage, and pasture also has been sharply reduced.
>
> Although this sharp reduction from last year is partially offset by larger reserves of corn on farms than a year ago, there doubtless will be considerable liquidation of unfinished hogs and sows this fall. Small pigs are already being shipped out of South Dakota and Oklahoma because of the shortage of feed. The high price proposed in this emergency plan for both pigs and sows will be of great assistance to those farmers in distressed areas; furthermore, Government purchase and disposition of these pigs will prevent them from going into feed lots where corn supplies are more plentiful.
>
> The diversion of this quantity of hog products, 4,000,000 pigs and 1,000,000 brood sows, into nonedible uses and for relief purposes in noncompeting channels of consumption actually removes between 600,000,000 and 700,000,000 pounds of hogs, live weight, from fall and winter supplies. Furthermore, the 4,000,000 pigs will weigh about 500,000,000 pounds less than if they were marketed at weights that might be expected in a year of short feed crops. If the plan actually succeeds in taking 400,000 brood sows out that might otherwise have farrowed this fall, the marketings next spring and summer will be reduced by perhaps 500,000,000 more pounds. The total reduction in tonnage for the 1933–34 marketing season, as a result of this emergency program, is estimated to be between 1,400,000,000 and 1,800,000,000 pounds of hogs, live weight, or between 12 and 16 percent.
>
> This reduction can be expected to increase hog prices for the season by 25 to 35 percent, possibly 40 percent above what they otherwise would be without the plan.
>
> It should be recognized that this is only an emergency and temporary program; if repeated in the future, it would be much less effective than when first tried.
>
> Unless this program to reduce hog tonnage during the 1933–34 season is followed immediately by a definite program that calls for a substantial reduction in corn acreage and production in 1934, as well as a material decrease in sows farrowing in the spring of 1934, the after effects of this temporary program will be disastrous to hog prices during the 1934–35 season and thereafter. This artificial increase of hog prices unless accompanied by a substantial advance in corn prices is likely to result in a hog-corn ratio favorable to the maintenance or an expansion in the 1934 spring pig crop. The long-time aspects of the program cannot be overlooked during the period when a short-time program is being put into operation.

MARKETING PLAN OUTLINED

After further discussion with producer and processor representatives, Administration officials outlined the emergency marketing plan as follows:

1. Purchase for the account of the Secretary of Agriculture, a maximum of 1,000,000 sows, weighing not less than 275 pounds and due to farrow in the fall of 1933, at the market price for packing sows on the full weight of the animal on the day marketed, plus a cash bonus of $4 per head regardless of point of origin and place of purchase.
2. Purchase of a maximum of 4,000,000 pigs and light-weight hogs weighing between 25 and 100 pounds at premium prices established by the Administration.

The Secretary of Agriculture approved the plan and in a public address at Chicago on August 18 announced that it would be put into operation on August 23. The purchases were to be made by processors authorized under contract with the Secretary, in accordance with usual buying customs and under both ante-mortem and post-mortem Federal inspection. The buying definitely was to end on October 1, but could be terminated before that date if the maximum of pigs and sows should be reached. The plan specified that sows, insofar as practicable, were to be converted into dry salt pork for distribution to needy unemployed families by the Federal Emergency Relief Administration. Pigs over 80 pounds in weight also were to be processed into dry salt pork. Pigs weighing less than 80 pounds were to be processed into the inedible products of grease and fertilizer tankage.

PROCESSING OF SMALL PIGS NOT FEASIBLE

It had been pointed out that processing of pigs weighing less than 80 pounds into edible products was impracticable because of the comparatively high processing cost per unit of cured product. Packing house equipment, particularly dehairing machinery, is designed for larger and heavier animals and does not work efficiently on small carcasses. Processor representatives stated that supplemental hand labor operations, required for satisfactory processing of light pigs into edible products, would bring the total cost of the products well above the cost of purchasing their equivalent in cured pork from packers.

It also had been pointed out that the time required for processing pigs under 80 pounds into edible products, even if considered practicable, would tend seriously to retard the marketing program. This was a consideration of some importance because it seemed certain that as soon as buying started, owners of light hogs would sell as rapidly as possible, thus tending to crowd processing establishments to capacity.

In order to carry out the provisions of the emergency hog marketing program with respect to purchasing and processing, an agreement was entered into by the Secretary and processors owning and operating federally inspected processing plants. Acceptance and signatures to the agreement forms by those processors who desired to cooperate in the program were obtained through the Institute of American Meat Packers, a national trade association of meat processors.

The Administration officials availed themselves of the opportunity to work with the contracting processors through the Institute of American Meat Packers as this greatly simplified establishing relationships with those who wished to take part in the program and helped to expedite the allocation of supplies of hogs among various

processors when such steps were necessary to insure better distribution of pig and sow shipments.

CHARGES BASED ON "OUT-OF-POCKET" COSTS

The charges allowed packers for processing and handling pigs and sows were computed primarily on the basis of anticipated "out-of-pocket" costs for labor and materials, following conferences between administrative officials and representatives of the processors.

The emergency price schedule, as announced, provided that from 6 to 9½ cents per pound would be paid for pigs, depending on their weight, at the base processing point, Chicago, by the processors under contract. This schedule called for a change in price for every 5-pound jump in weight, instead of for every 10-pound jump in weight as recommended by producers' representatives. The schedule of prices for the pigs, Chicago basis, is given in table 15.

TABLE 15.—*Prices for pigs*

Weight	*Price per 100 pounds*
25 to 30 pounds	$9. 50
31 to 35 pounds	9. 25
36 to 40 pounds	9. 00
41 to 45 pounds	8. 75
46 to 50 pounds	8. 50
51 to 55 pounds	8. 25
56 to 60 pounds	8. 00
61 to 65 pounds	7. 75
66 to 70 pounds	7. 50
71 to 75 pounds	7. 25
76 to 80 pounds	7. 00
81 to 85 pounds	6. 75
86 to 90 pounds	6. 50
91 to 95 pounds	6. 25
96 to 100 pounds	6. 00

Pigs were purchased under this schedule on the basis of average weight per lot with a minimum individual weight of 25 pounds, maximum individual weight of 100 pounds, and maximum range of weights of 30 pounds on individual pigs in each lot. It was specified that premium prices would be paid only for healthy pigs, showing no bad deformities at the time of delivery. Pigs of inferior growth, usually mast-fed, and commonly referred to as "range pigs", "razor backs", and "oilies", were to be paid for at a discount of $3 per hundredweight at the market.

MARKET DIFFERENTIALS

Premium prices to be paid by processors under contract at other markets than Chicago were determined by a market differential schedule prepared by the Administration, as shown in table 16.

TABLE 16.—*Market differentials in pig prices*

Processing point	*Differential per 100 pounds*
Chicago	Base.
Oklahoma and Texas	Minus 60 cents.
Interior points in Iowa and Minnesota	Minus 40 cents.
Interior points in North Dakota, South Dakota, Nebraska, Kansas, and west Missouri	Minus 50 cents.
St. Paul, Sioux City, Sioux Falls, Omaha, Nebraska City, St. Joseph, Kansas City, and other points on the Missouri River	Minus 40 cents.
Interior points in Illinois and Wisconsin	Minus 20 cents.

TABLE 16.—*Market differentials in pig prices*—Continued

Processing point	*Differential per 100 pounds*
Indiana, Kentucky, and Tennessee	Minus 10 cents.
Milwaukee, St. Louis, and National Stock Yards, Ill	Do.
Michigan and Ohio	Base.
All Rocky Mountain and Pacific Coast States	Minus 60 cents.
All points east of Ohio and north of Virginia	Plus 25 cents.
Georgia and Florida [1]	Minus $1.
North Carolina, South Carolina, Virginia, Alabama, Mississippi, and Louisiana [1]	Minus 50 cents.

The actual prices received by an individual farmer, therefore, depended upon the location of the processing point to which he shipped, with respect to Chicago, and also upon the expenses such as local transportation and commission charges of livestock buyers and marketing agencies which were deducted as part of the cost of delivering the pigs to the producer.

PRODUCERS PAID MARKET PRICE PLUS BONUS

The amount paid by the authorized processor for sows which qualified under Bureau of Animal Industry inspection as being unmistakably near farrowing was the market price of the day for packing sows on the full weight of the sows marketed (the usual dockage of 40 pounds was not permitted in this case), plus a cash bonus of $4 per head. With sows, as with pigs, the actual return received by the individual farmer depended upon the location of his local market with respect to Chicago and upon the several expenses involved in delivering sows to the processing point, but in this case the normal and current differential in prices between the local market and Chicago applied instead of the fixed differential specified by the Administration. The bonus of $4 per head was paid at all points and was not affected by the differentials.

The market premiums were arrived at largely by common judgment as to the figure which would be equitable and sufficient to induce the specified maximum numbers of animals. In general, the market premiums for the pigs were set at a level which would give producers about as much return, less cost of the feed, as probably would be obtained from feeding and marketing the hog at the usual finished weight. The margin in favor of feeding out the pig was slight.

The bonus on the sows was set at $4 per head, after conferences with producer and processor representatives. Processor representatives felt that a premium of $5 or more might result in the offering of such a large number of sows as to overtax processing facilities and to result in a relative scarcity of hogs in 1934. The prospective saving in feed costs, as a consequence of the sale of sows and pigs, constituted a considerable item in drought areas.

PROMPT PAYMENTS ARRANGED

It was the desire of the Administration that farmers selling pigs and sows should receive their payments as promptly as possible, preferably on the day of sale. Therefore, it was arranged with the contracting processors that they should settle immediately with the sellers out of their own funds and promptly present vouchers for cost

[1] This schedule applied to pigs originating in this area wherever marketed.

of the live pigs and initial processing cost to auditors of the Agricultural Adjustment Administration. The processors were required to submit each day official scale tickets for pigs and sows purchased, a report on the number of pigs and sows slaughtered, the manner of processing and other pertinent data constituting a voucher for reimbursement from the Secretary of Agriculture for money paid for live animals, plus allowable charges for service rendered. The auditors for the Administration then promptly checked the vouchers and, upon certification, transmitted them to finance officers of the War Department who were designated to disburse funds on behalf of the Secretary of Agriculture. Vouchers for subsequent processing and storage were submitted later for additional disbursements due.

The buying program did not affect methods of marketing. As usual, the seller had the option of dealing with any person or firm whom he chose and of selling either direct or through terminal markets.

BUYING BEGAN AUGUST 23

Emergency buying of pigs and sows began, as scheduled, on August 23 at six middle western livestock markets: St. Paul, Minn.; Sioux City, Iowa; St. Joseph and Kansas City, Mo.; Omaha, Nebr.; and Chicago, Ill. Purchasing was begun at other principal livestock markets as soon as arrangements could be made. The initial dates of operation at the various market points were as follows:

August 24—Mitchell, S.Dak.; Ottumwa, Iowa; Sioux Falls, S.Dak.; Topeka, Kans.; Mason City, Iowa.

August 25—Albert Lea, Austin, and Winona, Minn.; Cedar Rapids, Des Moines, Dubuque, and Waterloo, Iowa; East St. Louis, Peoria, and National Stock Yards, Ill.; St. Louis, Mo.; Oklahoma City, Okla.; Dallas, Fort Worth, and Houston, Tex.; Dayton and Zanesville, Ohio; Lafayette and Fort Wayne, Ind.; Louisville, Ky.; Newark, N.J.; Arkansas City and Wichita, Kans.; Erie, Pa.; Detroit, Mich.; Atlanta and Augusta, Ga.; Nebraska City, Nebr.; Fargo, N.Dak.; Huron, S.Dak.; Denver, Colo.; Nashville, Tenn.

August 26—Seattle, Wash.; Buffalo, N.Y.; Anaheim, Calif.; Chattanooga, Tenn.; Baltimore, Md.; Pueblo, Colo.; Birmingham, Ala.; Cleveland, Ohio; Henderson, Ky.; Moultrie, Ga.; Indianapolis, Ind.; Pittsburgh, Pa.; San Antonio, Tex.

August 28—Jersey City, N.J.; Spokane, Wash.; Cincinnati, Ohio; Eau Claire, Wis.

August 29—Phoenix, Ariz.; Grand Forks, N.Dak.; Lewiston, Idaho; Anderson and Terre Haute, Ind.; Leavenworth, Kans.; Jacksonville, Fla.; Kingston, N.Y.; Salt Lake City, Utah; San Diego, Calif.; Wheeling, W.Va.

September 6—San Francisco, Calif.; Yakima, Wash.; Madison, Wis.

September 7—North Portland, Oreg.; Evansville, Ind.

The buying program was broadened as much as possible to accommodate hog producers in all parts of the country, but purchasing was limited to plants operating under Federal inspection in order that both ante-mortem and post-mortem inspection by Bureau of Animal Industry employees could assure that animals purchased and slaughtered for the account of the Secretary were properly qualified and that all operations were carried out in the proper manner.

RECEIPTS HEAVY

Relatively moderate receipts of about 30,000 head of pigs and sows were obtained the first day at the six markets which began operation. By the second day, however, extraordinarily large shipments of pigs totaling more than 100,000 head were received at these points. The Administration had anticipated such a concentration of initial ship-

ments to the six markets and had urged through public announcements that farmers who did not normally market their hogs at these six points should withhold shipment until their own markets had opened; it also had been pointed out that higher transportation costs were involved where pigs and sows had to be transported beyond the usual sale points and that if any delay was involved in opening the producer's usual market point, it would be only of a few days' duration.

Nevertheless, extraordinarily heavy receipts of pigs weighing less than 80 pounds continued, and the numbers in the stockyards by August 25 were greatly in excess of the capacity of authorized processors.

In view of the need for holding back further shipments to permit clearing the stockyards of pigs already received, the Administration, on August 25, ordered suspension of premium payments for several days until processors could dispose of the excess accumulations of pig shipments. It also was stated on August 25 that henceforth the permission to ship properly qualified pigs to any authorized market would have to be obtained from commission agencies at the processing point or from processors operating under contract or from these parties through livestock shippers, county agents, and other qualified persons.

SHIPPING PERMITS REQUIRED

Insofar as time permitted, arrangements were made with the livestock exchanges and processors at various markets to establish a system for issuing permits to shippers. The Administration also assigned representatives to its Chicago office to help regulate the flow of pigs and sows to market and to act as a clearing house for any difficulties encountered by farmers making sale by marketing agencies and by processors.

Under the permit system, the processor representative at each market who directed the issuance of permits daily notified each commission agency how many pigs under 80 pounds could be purchased by processors from the agency. The commission firm then notified its patrons as to the number which they might ship. At processing points where there were no marketing agents or public markets, the authorized processor dealt directly with shippers and farmers.

In order to alleviate the distressed conditions at several markets as the result of the shipping gluts on August 25, processors under contract were authorized to transfer excess pigs to other markets and to work their plants overtime.

By August 28 processors at Omaha and Chicago had disposed of heavy shipments already in the stockyards and resumed emergency buying and slaughtering. Other markets at which gluts had occurred also resumed purchasing of pigs under the permit system on September 1.

SPECULATION CAUSED PROBLEM

The original permit system was immediately effective in regulating shipments of light pigs, but a new difficulty arose when some of the livestock dealers began accumulating permits for a number of pigs in excess of the number they actually had available for sale. The objective of such accumulation was speculation at the expense of the farmer. Since only a limited number of permits could be issued at

each market, it appeared that this practice, if continued, would prohibit a number of bona fide farmers from obtaining permits themselves and hence they might be obliged to sell at discriminatory terms to the dealers who had obtained a large number of permits in advance. Some buyers also had accumulated large numbers of pigs from farmers in the drought areas prior to the inauguration of the program. Several times during the 3 weeks before the emergency program was put into operation the Administration had stated that such a plan was under consideration and if adopted would result in substantially higher prices to producers. A number of farmers, however, did not learn of the emergency proposal and sold their pigs to buyers at low prices, even after the plan already was in operation.

Because of the pressure of circumstances at the time the program was started, it was physically impossible for the Administration to check on the origin of all pigs coming to market. However, officials endeavored to restrict the operations of buyers who had accumulated pigs for speculative purposes by issuing the following order by telegram on August 21 as part of general instructions for buying operations:

> * * * Hogs intended to come under the benefit payments must be sold directly to the processor or his agent. Hogs owned, consigned, or planted by registered market yard traders or speculators are not eligible to benefit payments. Name and address of owner of hogs declared eligible to benefit payment must be furnished processor * * *

The operations of market traders also were affected by the Administrations' ruling, declaring them ineligible for market premiums on pigs shipped from one market to another to avoid risk and inconvenience when gluts threatened to develop. Authorized processors were not permitted to pay premium prices for pigs which had been transferred from other stockyards, except as authorized by the Secretary.

REGULATIONS DRAWN UP

In order to stop the discriminatory accumulation of shipping permits by hog buyers and others, and to halt an increase in shipments of pigs without any kind of permit, Administration officials, producer representatives, packer representatives and live stock exchange representatives met at Chicago on August 30 and drew up the following regulations:

1. Beginning Tuesday morning, September 5, no pigs will be purchased for the account of the Secretary of Agriculture unless permission has been granted authorizing the shipment.

2. Permits already issued, but not in writing, will be honored at processing points under this ruling up to and including September 6. But new permits, issued on or after Tuesday morning, September 5, must be granted by letter or telegram to the permit applicant prior to the shipment of pigs and after Wednesday, September 6, no pigs will be purchased for the account of the Secretary unless actually accompanied by letter or telegram constituting a permit to ship pigs. Therefore farmers who obtained shipping permits, not in writing, prior to Tuesday, September 5, and who will not deliver pigs to the processing point until after Wednesday, September 6, must have these permits verified by letter or telegram before shipping.

3. Permits must be secured from authorized processors through commission firms operating at authorized processing points or directly from authorized packers in cases where pigs will be shipped directly

to authorized packers. However, pigs may be handled for individual farmers by cooperative shipping associations or by country buyers, providing the farmer supplies with the pigs a letter or telegram constituting the permit authorizing the shipment. Cooperative shipping associations or country buyers also may act on behalf of the original owners in securing permits, but the permits must be granted in the name of the original owners.

4. Permits obtained, beginning Tuesday, September 5, through commission firms or authorized packers are to be evidenced by letter or telegram to the original owner.

5. Beginning immediately, no permits are to be issued by commission firms or by authorized packers to any one other than the original owner of the pigs. In no case are permits to be issued to any one owner for more than 200 head.

6. No permits are required to accompany pregnant sows.

7. The minimum weight of sows qualified to be purchased for the account of the Secretary is lowered from 275 to 240 pounds. This ruling is to go into effect immediately.

8. It has been definitely decided not to make any adjustments in the bonus payment of $4 per head on qualified sows.

SOWS HELD BACK BY FARMERS

The weight of sows was lowered in an effort to encourage larger sales of these animals, thus to help assure that the objective of substantially reducing future hog marketings would be reached. By the end of the second week of the program it had become apparent that the total number of sows sold probably would fall considerably short of the original objective of 1,000,000 head. Several reasons were advanced for this probability. It was one opinion that the bonus of $4 a head was not large enough. The Administration was urged to raise this bonus figure, but out of consideration for those who had already sold their animals and because the Administration felt that the figure was fairly equitable as it stood, no adjustment was authorized. It was another opinion that farmers were holding back sows in expectation that sale of the pigs alone would improve hog prices in the future sufficiently to result in considerable increase in the return from fall pigs which could be raised from the sows on hand due to farrow.

In view of the lag in sow sales, even after the weight limit was reduced, and because an extraordinarily large number of requests were being made for permits to ship additional pigs, the Secretary authorized the purchase of approximately 2,140,000 additional head. It was pointed out that the anticipated revenue from the processing tax on hogs would provide sufficient funds for these additional purchases since the full allotment of funds for sows would not be needed.

In granting these additional pig quotas, the Administration took steps to insure preference to farmers in drought areas. Telegrams to local permit committeemen at Kansas City, Omaha, Chicago, Sioux City, Oklahoma City, Fort Worth, Wichita, Topeka, and St. Paul, on September 16, urged that special consideration should be given to pigs arriving from sections where feed shortage necessitated the sale. It was urged also that special consideration should be given to pool shipments by farmers.

PURCHASES TERMINATED SEPTEMBER 29

The purchasing of pigs and sows at market premiums for the account of the Secretary was ordered terminated September 29, at the close of trading at all points except one. The Mission Provision Co., at San Antonio, Tex., was permitted to process 4,000 pigs during the week following September 29. This plant had begun operations late and, inasmuch as the surrounding farming area had sustained considerable damage to crops because of drought and storms, the permission for extended operation was granted.

Except for occasional difficulties with regulation of shipments and control of dealers who bought pigs from farmers at prices that represented an unreasonable margin of profit for handling, the program was conducted in a wholly satisfactory manner. Difficulty with livestock dealers was anticipated at the inauguration of the program, but because of the time limit which did not permit development of an adequate system of regulation, it was decided that farmers as a group probably could more economically dispose of small lots of pigs through local buyers. For the most part, this arrangement was generally satisfactory, but there were instances in which it appeared that producers had been mistreated.

FIVE PIG BUYERS INDICTED

Out of consideration for complainants and for the declared policy of the Agricultural Adjustment Act, which is primarily that of promoting the general welfare by benefiting bona fide farmers, Administration officials were assigned to investigate alleged conspiracy activities. This investigation was conducted as rapidly as possible with a limited personnel. One investigation with respect to the sale of pigs at the St. Paul market had been completed in the late fall of 1933, and evidence in support of charges of conspiracy was submitted to the Federal grand jury at Aberdeen, S.Dak. Subsequently indictments were returned against five persons, all of whom were involved in pig-buying operations in South Dakota. Other cases are being investigated, and where the facts warrant, have been or will be presented to the Department of Justice for action.

After the pigs and sows were received each day at the processing plants they were converted into edible or inedible products in accordance with the agreement with the Secretary. All sows qualifying for the bonus were sorted out by the Bureau of Animal Industry inspectors and slaughtered for curing into dry salt sides. All pigs weighing 81 to 100 pounds also were sorted out, slaughtered, inspected, dressed, cured, and otherwise handled as specified for the sows.

SMALL PIGS CONVERTED INTO INEDIBLE PRODUCTS

Except for a brief period near the end of the program when the minimum weight of edible pigs was dropped to 71 pounds because of smoother operations in processing plants, and because of the need for maximum of cured product, pigs weighing 80 pounds or less were rendered into the inedible products of grease and fertilizer tankage. The average yield of inedible grease per pig was about 3 to 5 pounds per animal, depending on its weight. The yield of fertilizer tankage, dry basis, was approximately 5 pounds per animal. The tank residue remaining after the rendering for inedible grease could not be

converted into digester tankage, the more valuable type fed to hogs, because the hair could not be sufficiently removed from the carcasses by means of the packing house dehairing machines. Federal regulations require that digester tankage be free from hair.

The maximum yield of fertilizer tankage from the slaughter probably would have been between 20,000,000 and 25,000,000 pounds, but after operations began, it did not appear feasible to save all of the material because of the comparatively higher cost of complete processing with respect to ultimate sale value and because of the lack of adequate storage facilities at the principal processing points.

After a study of the situation, Administration officials decided to dispose of a large part of the product as it came from the rendering tank and before extra expense had been incurred for drying and storing. Processors under contract were authorized and directed to dispose of the tankage in the most economical and practicable manner at actual cost of disposal. Depending upon their own situations, the processors used various methods of disposal. In all cases they first had to render the carcass completely in order that the maximum yield of grease could be obtained. After the grease had been drained off, the residue was given free to the farmers who came to the processing plants, hauled away and dumped in places where such dumping was permissible, burned in the open, buried, or consumed at public incinerators.

SOME TANKAGE STORED

A total of 5,043 tons, or about one fourth of the total yield of tank residue, was converted into dried product and stored by the processors under contract. This volume of tankage was held until November 1933 when the Administration sold it to highest bidders at an average price of $11.75 per ton.

The slaughtering and tanking of the light pigs produced a total of approximately 21,000,000 pounds of inedible grease, suitable for technical purposes. This grease was stored and sold later by the Administration to the highest bidders at an average price of $2.61 per hundredweight. The total receipts from the sale of both tankage and grease amounted to $604,318.66.

PORK USED FOR RELIEF PURPOSES

The conversion of the heavy pigs and the sows produced a total of approximately 100,000,000 pounds of dried salt pork. At the end of the curing period the pork was cut into pieces weighing approximately 3 to 6 pounds, wrapped and boxed, and turned over to the Federal Emergency Relief Administration for distribution to unemployed families in addition to their usual consumption of hog products. The cutting, packing, and shipping costs averaging about 3 cents per pound of product were borne by the Relief Administration. By January 15, 1934, nearly all of the meat had been allocated and delivered to relief agencies in the 48 States, District of Columbia, and several insular possessions. (For further details of these operations, see chapter 12 of this report headed "Surplus Relief Operations." Also see exhibit 13 of appendix E and exhibit 15 of appendix F.)

The total expense of the emergency hog-marketing program amounted to approximately $34,000,000. The live cost of the 6,188,717 pigs and light hogs and of 222,149 sows which were pur-

chased amounted to a total of $30,643,101.95. The figures on initial and subsequent processing and storage charges will not be available until the Government auditors' reports have been completed from vouchers submitted by contracting processors. The actual cost of the program is considerably less than the advance estimate of approximately $50,000,000. A smaller amount was expended than originally anticipated primarily because the purchase of slightly more than 2,000,000 extra pigs did not equal the sum which would have been expended if the full quota of 1,000,000 sows had been purchased. Also some saving in processing and storage cost was effected through the immediate disposal of a large part of the tankage.

The emergency program drew concentrated shipments of pigs and sows at market premiums from drouth areas where farmers could not afford to feed the animals; it provided approximately 100,000,000 pounds of cured pork for distribution to needy unemployed and constituted an emergency supplement to the plan to reduce corn and hog production for 1934.

IV. THE LONG-TIME PROGRAM

As soon as the emergency hog-marketing program was under way, Administration officials and producer representatives resumed their consideration of a more permanent adjustment program. A series of meetings was held for this purpose at Chicago September 20 to 25. It was generally recognized that the emergency program should be followed promptly by some plan for maintaining a lower level of production of both commodities. Although the 1933 corn crop was below normal, it had to be recognized on the basis of past experience that yields on the 100,000,000 acres or more usually planted to corn would in succeeding years again produce comparatively large crops. It had to be recognized, notwithstanding past tendencies for short corn crops to be followed by reduced hog crops, that any improvement resulting from the emergency hog-marketing program actually might operate to encourage an increase or at least a maintenance of the current high level of hog production.

In general, the proposals made for affecting corn and hog production in 1934 provided for (1) direct reduction in corn production only, (2) reduction in hog production only, or (3) reduction in production of both corn and hogs.

After considerable discussion it was the judgment of the conference that a plan for reducing corn production only had several serious disadvantages. It would tend to work an injustice on the farmer who raised more than the average number of hogs per acre of corn. It was the opinion that this would happen because funds for corn-reduction payments probably would have to be financed, in a large part, by processing taxes on the slaughter of hogs. Moreover, a plan under which corn only was reduced would tend to encourage production of corn by producers who did not sign up to lease acreage, a partial reduction in corn production would tend to raise corn prices with respect to prices for hogs and other livestock. This would encourage increased plantings of corn among hog feeders and among persons selling cash corn for market.

On the other hand, a reduction in hog production only would tend to produce equally unsatisfactory results. A reduction in hog

numbers, unless accompanied by a proportionate reduction in corn acreage would tend to raise hog prices with respect to corn, that is to say, shift the value ratio between live hogs and corn until it favored feeding of corn to hogs. Cheapening corn and reducing the quantity of corn required for hog feed could operate to encourage a voluntary decision among farmers to reduce corn acreage, but it seemed more likely that instead of reducing acreage of corn, farmers probably would be tempted to go back to comparatively high hog production and to heavier feeding of other livestock.

BOTH CORN AND HOGS HAD TO BE REDUCED

It was the ultimate conclusion, therefore, that any adjustment program adopted should involve reduction in output of both commodities. In addition to striking directly at the adjustment problem, such a plan had the added advantage of keeping the value ratio between corn and hogs as near as possible to the commonly accepted neutral point; that is to say, reduction in both commodities would tend to maintain the price relationship wherein the value of approximately 10 to 12 bushels of corn would equal the value of 100 pounds of live hog.

Although it became the general consensus of opinion that production of both corn and hogs should be affected by any program finally developed, there were a number of obvious difficulties which were to be expected in a dual-control scheme. It would be necessary to determine percentages of reduction for both commodities which would bring supplies into line with effective demand and which would result in a minimum of disturbance of the commonly accepted neutral price relationship between them. There was the matter of adequate financing of an extensive program of this sort. There was also the question how funds for benefit payments should be divided between the two commodities, so that the program would be equally attractive to the farmer who grows much corn and few hogs as to the farmer who feeds many hogs and grows little corn. A dual control scheme also was certain to involve more administrative details with respect to the reporting of past production records by farmers and to their compliance with the contract.

PRICE FIXING SUGGESTED

At the Chicago conference in September, several of the representatives of the producers proposed that the production adjustment program be supplemented with a schedule for fixing the prices of corn and hogs as soon as practicable, and if possible, before the reduction program was put into effect. This plan called for a reduction in corn acreage of 20 percent in 1934 and a reduction in hog tonnage in the same proportion; that is to say, if a farmer was reducing his corn production by the equivalent of 200 bushels, he would be required to reduce his hog production by the number of pounds of pork which 200 bushels would produce, based on average feeding efficiency. Participating farmers were to receive small benefit payments (in order to comply with the terms of the act), and they were to receive parity prices including the amount of the tax for a certain allotment of corn and hogs (in bushels and pounds) for the year beginning November 1, 1933.

It was proposed that the price fixation be accomplished primarily through marketing agreements with processors. The regulation of the volume of market supplies, in order to maintain parity prices, was to be handled by the Secretary of Agriculture through control of the corn and hog allotments to growers.

Proceeds from processing taxes also were to be used for the purpose of taking surpluses out of the regular market channels insofar as this might be necessary to help maintain the parity price fixed under the marketing agreements.

Inasmuch as this proposal specified a reduction in bushels rather than in acres, it was provided that, in case the number of acres which the contracting producer had contemplated would produce no more than his bushel allotment actually should produce an excess, such excess was to be stored for future disposal, as directed by the Secretary of Agriculture.

RECOMMENDATIONS OF COMMITTEE

At the conclusion of the meetings at Chicago, the National Corn-Hog Committee of Twenty-Five voted to recommend such a corn-hog control plan, embodying a scheme for insuring parity prices to producers. The recommendations which they submitted to the Administration were as follows:

Because the pig-purchase program now being completed has reduced surpluses sufficiently to make such a plan economically justifiable for a temporary period, when coupled with (1) the diversion of further surpluses of hog products from normal consumptive channels in the current marketing year, and (2) a program for reduction of corn and hog production in 1934–35, as set forth below, we recommend the following temporary plan:

The price of hogs should be advanced through agreements between the Secretary and the processors and/or licensees as quickly as possible, so as to reach (not later than Nov. 1, 1933) a price not less than parity f.o.b. Chicago, such price to include the amount of the processing tax. The price of heavy hogs should be substantially less. The foregoing prices should be maintained until June 1, 1934. Market differentials based on experience should be announced and should be sufficiently flexible to meet conditions which may develop. If possible, all grading of hogs should be under Federal supervision. The processing tax should be put into effect November 1, 1933, at the rate of $2 per hundred on all hogs.

We recommend that the reduction of supply resulting from the pig-purchase program be supplemented to whatever extent necessary by converting surplus pork stocks into sausage for distribution through relief agencies and for sale through regular channels at a fixed nominal price, also insofar as possible through increased export of food and pork products.

In order to make possible reasonable prices during the marketing year 1934–35, there must be a substantial reduction of hog and corn production in 1934. Contracts providing for such reduction will be offered to growers as soon as possible; each contracting grower to be paid a benefit of $1 per hundredweight on all hogs weighing less than 220 pounds marketed between November 1, 1933, and June 1, 1934.

Objective.—To reduce 1934 corn production to 2,000,000,000 bushels and make a corresponding percentage reduction in the 1934 hog tonnage, this to be done under acreage rental contracts, the basis of rental being 30 cents per bushel on average yield, years of partial or complete crop failure to be eliminated in computing the average; the minimum reduction to be required of contract signers to be 20 percent, with no maximum except that no one State may exceed its total allotment except by special permission from the Secretary of Agriculture. Acreage taken out of corn is to be left idle or be used for pasture or hay or soil-building crops, but not for any other feed or marketable soil crop except grass seed; terms of payment to be 25 percent on approval of the contract, 15 percent on August 1, 1934, following proof of compliance as regards corn, and the remaining 60 percent on December 1, 1934.

Contracting growers are to keep records of production and sale of corn and hogs. Hog benefits will be paid during the marketing year 1934–35, contingent on the filing of sales reports.

Closing date for signing of contracts to be January 15, 1934, no contracts to be approved and plans put into effect unless signed contracts providing for taking out of production at least 15,000,000 acres have been secured by that date.

Funds for this purpose are to be derived from the full processing tax possible and practicable under the Agricultural Adjustment Act on all processed corn, commencing November 1, 1933, and continuing until November 1, 1935; such revenue to be supplemented by other funds which now are or may become available to the Secretary of Agriculture for purposes of this kind, and also by necessary processing tax on hogs during the 1934–35 season, beginning November 1, 1934.

To make this plan fully effective, and in justice to American corn growers who are being asked to reduce corn production by at least 20 percent, an equal reduction of imports of such competing products as blackstrap molasses, tapioca, sage, and vegetable oils should be put into effect by quota or other effective means as may be permitted by law. In addition, compensating taxes, equivalent to the processing tax on corn, should be levied on the above-named competing products, and also on competing sirups, starches, and sugars.

The committee further recommend the establishment of Federal supervision of the weighing, grading, docking, and fill of hogs at concentration yards and country buying stations in order to place the direct buying of hogs on the same basis as the terminal marketing of livestock, and the taking of such other action with respect to the direct buying of hogs as may be for the best interests of hog producers.

Recognizing the probability of delay in the imposition of compensating taxes on other meat products and dairy products, the committee recommends that programs for reduction of production in dairying and removal of surpluses of beef should provide for the equivalent reduction in grain production by dairy and beef-cattle farmers.

The above is respectfully submitted with full recognition of the fact that careful study of the same by you and your advisers may require modification. With modifications necessary to make it legally valid and practicable, we recommend it to you, and assure you that, in carrying it out, you will have our full and hearty cooperation.

GUARANTEEING OF PRICES DIFFICULT

Although the price fixation feature of this plan appealed to producer representatives, it was agreed after considerable study that several serious difficulties were involved in the guaranteeing of parity prices, even though production was to be substantially reduced.

It was pointed out that the then current gap between actual farm prices for hogs and the fair exchange value, based on pre-war price relationships, amounted to approximately $4 per hundredweight, and that a reduction in market supplies sufficient to close this gap probably would be so drastic as seriously to disturb, if not permanently to impair, the competitive position of hogs. Moreover, even a substantial reduction not sufficient to close the gap would involve holding back on farms a large number of hogs already farrowed and being fed out. It was doubted whether farmers would consent to strict control over supplies marketed, which a successful price-fixing plan would require.

It became the conclusion of the Administration officials that a sounder alternative to price fixing and strict control over supplies entering market channels would be a plan for purchasing substantial quantities of hogs and hog products for relief distribution, that is, removing them from regular trade channels at intervals found necessary by the Secretary to help support hog prices. Such an alternative had two distinctive advantages over straight price fixing. It left day-to-day market quotations subject to the daily variations in supply and demand conditions, and it assured substantial quantities of hog products for relief purposes.

ONE PROVISION HELD DISCRIMINATORY

The provision in the parity price and production control plan which provided for a reduction in hog production equivalent to the reduction in corn production eventually was regarded by a number of producer representatives as objectionable and involving some discrimination. It was pointed out that a producer who customarily fed only 20 percent of his corn to hogs and who reduced his corn production by 20 percent, in accordance with the proposed plan, obviously would be obliged to cease hog production entirely. A guarantee of parity prices on hogs, then, would mean nothing to him since he had no hogs to sell. On the other hand, the farmer who grows only a small percentage of the corn required to feed his hogs could cut his corn by the required percentage and still scarcely reduce his hog production. There was considerable debate on this matter of requiring either a reduction in one commodity with an equivalent reduction in the other, or a uniform percentage reduction for both commodities regardless of the proportion between production of the commodities on a particular farm.

FINAL CONFERENCE AT WASHINGTON

On September 30, the special producers' committee of five members (Garst, Moyer, O'Neal, Smith, and Gregory) came to Washington to confer with Administration officials on the final outline of a plan providing control of production on both corn and hogs in 1934. The five main points for discussion were (1) percentage of reduction to be required of the individual producer in order to obtain, on the basis of anticipated participation among farmers, the desired reduction in corn and hogs for the country as a whole; (2) the amount of payment to be made with respect to each unit (that is, the acre or the hog) by which the individual farmer's production was reduced; (3) the means for obtaining funds for these payments; (4) local administration of the program; (5) production periods and producers' records on which to base the reduction; and (6) uses of the contracted acres.

On the basis of Federal statistics indicating that the gross value of the corn crop in the past (1919 to 1929, average production of corn, 2,730,000,000 bushels from 100,268,000 acres) was at a maximum when production was 10 to 20 percent below the average normal production, and after an analysis of the corn-hog situation, it was reasoned that corn production for the United States should be reduced between 15 and 20 percent below the average of the preceding years, or between 350,000,000 and 500,000,000 bushels.

It also was calculated from available Federal statistics that a reduction of approximately 20 percent should be sought in hog numbers in view of the material decrease in exports and the contrary tendency of hog production to continue upward. Since the maximum number of participants undoubtedly would not include all producers, the percentage to be asked of individuals was put at 25 percent.

PLAN HAD TO BE FAVORABLE TO COOPERATORS

The problem of determining the payment to be made with respect to each unit (that is, the acre or the hog), by which individual farmer's production was scaled down, required careful consideration. It was recognized that the plan would fail unless these payments were large enough to insure the participant that his income not only would com-

pare favorably, but would be larger than the income under the plan to a nonparticipant whose corn-hog enterprise was of similar size. The payment had to be large enough to create an income differential favorable to the participating farmer on his reduced production.

Inasmuch as the gap between the current farm prices for corn and hogs and the fair exchange value of the commodities was comparatively large, it gave the Secretary of Agriculture considerable latitude in the determination of processing taxes from which the funds for benefit payments were to be derived.. The larger the tax, with respect to the base market price, the larger the differential between what the cooperating farmer would receive and what the noncooperator would obtain per unit of commodity. In fact, the withholding from noncooperators of a part of the return on the commodity by means of the processing tax is the principal protection for the cooperating farmer.

After considerable discussion it was the judgment of the producer representatives that benefit payments, ranging from $1.50 per hundredweight to $2 per hundredweight of live hogs actually produced under the reduced schedule of production, probably should be paid the cooperating farmer. Judgment as to the size of the corn reduction payment which would be sufficiently attractive to farmers ranged from 25 to 40 cents per bushel on the average yield of acreage taken out of production.

TAXES TO BE DERIVED PRINCIPALLY FROM HOGS

Because a comparatively small volume of corn enters commercial trade channels, it was recognized that most of the processing tax burden would have to be borne by hogs. Although comparatively large benefit payments seemed desirable, even though part of the receipts from the hog taxes would have to be used to contract corn acres, it also had to be recognized that the imposition of a comparatively heavy processing tax for financing these payments might tend, at least during the latter part of 1933 and early 1934 (before the emergency hog-marketing program had had an effect on hog supplies) to cause the regular market price for hogs to be somewhat lower than it otherwise would have been.

It was finally concluded to levy comparatively heavy taxes on both corn and hogs, but to make the rates nominal at the start and then advance them gradually. It was believed the processing tax could be handled in this way without seriously disturbing the open-market price level. What this amounted to, of course, was an endeavor to advance the tax as the market value of the commodity had a tendency to improve by reason of adjustment in supplies; that is to say, allow the tax to absorb what otherwise would have appeared as an increase in the regular market price. It was also concluded that by spreading the tax burden over 2 marketing years and issuing benefit payments in 1935 as well as 1934, the required amount of money could be collected without undue stress on market prices of corn and hogs.

TAX REBATE CERTIFICATE PLAN SUGGESTED

At one time, several representatives of the producers urged a tax rebate certificate plan; that is, the issuing of tax rebate certificates to participating producers instead of cash payments. At given dates, farmers would be permitted to cash the tax rebate certificates, as funds

became available from processing taxes. This scheme was proposed largely because the Treasury Department once questioned whether large sums of money for benefit payments to producers could be committed in advance of actual tax collections. Several objections were raised to a scheme of this sort. In the first place, it seemed certain to involve a long wait for money, as the final payment could not be made until the last tax collection had been made. It also was questioned by Administration officials whether an adjustment plan involving this system of payment would meet with general acceptance among producers, since the cotton, wheat, and tobacco plans all provided for actual cash payments. There also was the danger that speculators would prey on farmers who wished to discount tax rebate certificates prior to their expiration date. When Treasury Department officials eventually reported that the tax abatement scheme could not be accepted because it offered no adequate credit base and because it would be difficult to administer, and when they reported that sufficient funds for benefit payments could be put at the disposal of the Secretary of Agriculture, the tax rebate plan was dropped.

BASE PERIOD WAS PROBLEM

The matter of determining the contracting producers' production base had to be considered with respect to every plan that was proposed. It was recognized that many farmers would have difficulty obtaining accurate records on their past production on corn and hogs and other crops. Few farmers have detailed weight and measure records of the annual output. This was a serious matter because deliberate or unintentional overestimates due to inadequate records would tend to minimize the net aggregate reduction and involve overpayment to cooperating farmers.

A problem of similar nature was the determining of a practical base period from which to compute an average of past production. A number of producer representatives were inclined to favor reduction from a 1-year base, that is, a reduction from the 1933 production, because it had the advantage of being simple and recent; farmers could draw reliably on their memory and actual sales records and the field layouts would be available for inspection. On the other hand, it was apparent that a 1-year base would work to the disadvantage of producers who had sustained individual misfortunes during the single year, such as a decrease in corn yield or acreage, or both, because of adverse weather, insect pests, and other conditions affecting yield and acreage planted, and such as loss of hogs from disease. It was finally decided to use a base period covering 2 or more years, even though it did require determination of more extensive production records, because abnormal conditions for any 1 year would tend to average out over the normal years and the application of the plan would be more satisfactory for everybody.

LOCAL ASSOCIATIONS TO HANDLE PROGRAM

In considering plans for the administration of the program, it was the general opinion that the corn-hog set-up should be patterned after the wheat set-up, under which local committees and associations of producers themselves were organized to handle most of the work.

The extent to which use of the contracted acres should be limited also was given careful consideration. Administration officials were

impressed on the one hand with the need for keeping additional restrictions at a minimum and on the other hand with the necessity for seeing that the corn-hog program resulted in a net reduction in total agricultural output as well as in corn and hogs. As with the wheat plan, producer representatives recommended that the contracted acres be used primarily for soil building and erosion-preventing crops not to be harvested.

PLAN ANNOUNCED BY SECRETARY

During the early part of October, Administration officials completed the final outline of the plan and it was announced by the Secretary of Agriculture. The outline, as originally developed and announced, and with parenthetical inserts to indicate subsequent changes in provisions which later were thought advisable by the Administration, is given herewith:

1. (*a*) Rental of 30 cents per bushel on the preceding 3-year average production per acre of the contracted acreage, provided the grower agrees to reduce his acreage not less than 20 percent of the average acreage grown during the past 3 years.

(The base period to be used in determining the extent of corn acreage reduction and the amount of reduction payments later was changed from 3 years to 2 years, 1932 and 1933, in the belief that a shorter period would facilitate the procurement of accurate past production records.)

(*b*) Adjustment payments of $5 ($2 on acceptance of contract, $1 on Sept. 1, 1934, and $2 on Feb. 1, 1935) per head on 75 percent of the average number of hogs farrowed on contracting producers' farm and sold by same during the past 2 years, provided he reduces his number of litters 25 percent and his number of hogs sold 25 percent.

(The official corn-hog contract specified more exactly that the producer shall reduce the acreage planted to field corn in 1934 on the farm operated by him not less than 20 percent below the adjusted average acreage planted to corn for 1932 and 1933 on the land now in his farm. He also shall reduce in 1934 the number of hog litters farrowed on this farm and farrowed by hogs owned by him not located on this farm 25 percent below the adjusted annual average number of litters owned by him when farrowed in 1932 and 1933; and reduce the number of hogs produced for market from such 1934 litters 25 percent below the adjusted annual average number of hogs produced for market from such 1932–33 litters. The corn years and hog years constituting the base period were proclaimed as being Dec. 1, 1931, to Dec. 1, 1932, and Dec. 1, 1932, to Dec. 1, 1933.)

2. On the basis of information already available through the Department of Agriculture, each State will be allotted for the purpose of determining payments:

(*a*) That number of acres of corn which represent its proportion of the total number of acres to be withdrawn from corn production for the United States. County allotments will be determined on the same basis in relationship to the State. Within the county, allotments to individual farmers who have signed contracts will be made by the county corn-hog production control association, and these allotments will be published in the county press.

(*b*) That number of sows to farrow, litters farrowed, and numbers marketed, which will be proportionate to the corresponding totals for the United States. County allotments will be determined on the same basis as the State. Individual allotments will be made by the corn-hog production control association and publication will be made in the same manner as on corn.

(A further study of the various mechanical and psychological factors involved in the allotting of production bases to small areas and to individual producers indicated the desirability of avoiding such steps. Besides, Federal statistics were not sufficiently accurate with respect to individual farmers to justify attempting allocation of production to individual farmers. A modified plan for checking aggregate corn and hog production figures reported by contract signers against available Federal statistics was substituted for a regular allotment scheme. Skilled tabulators and the county committeemen were to check the individual figures for inaccuracies and exaggerations. Finally, all contracts were to be

checked against the Federal statistics for the county and any necessary adjustments to bring the aggregate of the contracts into line with these statistics were to be made by the corn-hog program officials.)

3. Corn and/or hog producers in any county, who by signing the agreement became eligible to receive adjustment payments in consideration of cooperation, will organize when details of the plan are fully developed:

(*a*) A county corn-hog production control association which will choose its own directors and officers. Any salaries or expenses which the association is authorized by its directors to incur will be withheld pro rata from the adjustment payments to be made within the county. Extension service agencies will be used wherever available to assist in the educational and organizational work. These may be supplemented by temporary emergency workers appointed to serve in counties where additional help is required.

4. The adjustment payments will be made as follows:

(*a*) Two thirds of the rental payments on corn acreage will be paid as soon after acceptance of the contract by the Secretary as possible. The remainder, minus local administrative cost, will be paid upon evidence of fulfillment of contract after August 1, 1934. The grower who fails to carry out his contract and the terms of his lease forfeits his final payment and must also surrender the initial payment.

(The initial corn payment later was reduced from 20 cents per bushel of estimated yield on the contracted acres to 15 cents per bushel, in consideration of the Administration's plans optionally to issue the first checks to farmers upon the preliminary approval of contracts subject to subsequent adjustment, rather than delaying payment a longer time until the county allotment committees of the county control associations could make a more thorough check of individual producer records. If any adjustments in the area or estimated yield of the contracted acres were necessary after the final check-up by the county allotment committee, the second and final corn reduction payment could be reduced proportionately. The date of the second payment was made Nov. 15, 1934, in view of the probability that adequate check-up of contract performance could not be completed in time for earlier payment. It also was necessary from a legal standpoint to make one corn payment, as well as one hog payment during the 1934–35 marketing season, since processing taxes were due to be collected through 2 years beginning Nov. 5, 1933.)

(*b*) Two dollars per head on the 75 percent of the contract producer's average hog production for the base period will be paid as soon as possible after acceptance of the contract by the Secretary. A second payment of $1 will be made September 1, 1934, on certification by the county corn-hog production control association that he has reduced the number of litters by 25 percent. A third payment of $2 will be made on February 1, 1935, on the average production for the base period upon certification by the county corn-hog production control association that the cooperator has fulfilled his contract by reducing the number of litters farrowed and of marketable hogs produced on his farm by 25 percent. The contract signer is also to agree not to increase the average number of hogs bought and fed for market. The grower who fails to carry out his contract will forfeit final payments and also surrender previous payments.

(The second hog reduction payment later was scheduled for Nov. 15, 1934, in view of the probability that adequate check-up of contract performance could not be completed in time for earlier payments.)

5. Collect a processing tax on corn and hogs, commencing with the next marketing year for the particular commodity, the amount of each tax to be proclaimed by the Secretary of Agriculture. The next marketing year for both corn and hogs commences in November of 1933. The competitive condition of corn and hogs in the domestic market will be protected against imports and domestic supplies of competing products.

(A processing tax at the initial rate of 50 cents per hundredweight, live-weight basis, was put into effect with respect to the slaughtering of hogs for market and on storage stocks of hog products on Nov. 5, 1933. A processing tax at the initial rate of 5 cents per bushel was put into effect Nov. 5, 1933, on field corn processed commercially. The possible necessity for levying compensating taxes on commodities that compete with corn and hogs was considered at hearings called for this purpose in early November.)

6. The Federal Surplus Relief Corporation will purchase for distribution through the Emergency Relief Administration a percentage of the surplus supplies of hogs produced in 1933 and marketed in 1933 and 1934.

(The first of such emergency purchases was authorized on Nov. 18, 1933, when officials of the Agricultural Adjustment Administration and the Federal Emergency Relief Administration accepted bids of 32 meat packing concerns, totaling approximately 30,000,000 pounds of cured pork products for delivery during January 1934, and involving a net cash expenditure of a maximum of approximately $4,500,000 by the Agricultural Adjustment Administration and the Federal Emergency Relief Administration. In December the Federal Emergency Relief Administration also arranged to buy live hogs at various processing points at the rate of about 20,000 per day, to be slaughtered under contract by processors for bid prices.)

7. In reducing existing surplus, every effort will be made to expand foreign markets.

8. Land leased by the Government and taken out of corn production may be used for pasture, meadow, soil-improvement, and erosion-prevention crops, subject to the regulations of the Secretary.

9. The broad economic purposes of this plan are to bring about a balance between production and effective demand, and in the public interest to increase the buying power of agriculture. This increased buying power will result from distribution of benefit payments to corn and hog farmers, and through the increased prices resulting from production control.

POINTS WHICH HAD TO BE SETTLED

Immediately following the announcement of the outline of the 1934 corn-hog production adjustment plan, Administration officials set to work on the development of a contract based on it, which could satisfactorily be applied to the varied situations of corn-hog farmers throughout the United States. The main questions were:

1. Should there be but one contract form covering both corn and hogs, or should there be separate contracts?
2. What should be the base periods for the respective commodities of corn and hogs?
3. Should the contracting producer be given the privilege of reducing more than the specified reduction percentages?
4. What should be the basis for reducing hog production?
5. Should a limitation be placed on total acreage of crops planted for harvest, on number of feeder pigs, and on aggregate acreage of corn on other land not covered by the contract?
6. What use should be permitted of the contracted acres?
7. What should be the basis of payment for reducing corn acreage, and in how many installments should the payments be made?
8. What records should be required of farmers with respect to past crop and livestock production?
9. How should the corn acreage and hog production allotment for 1934 be computed?
10. How should the reduction payments be divided between landlord and tenant?
11. Who should sign the contract?
12. What system should be developed for certifying the corn-hog production contract?

ONE CONTRACT OR TWO?

In view of serious administrative difficulties involved in handling separate contracts for corn and hogs, administrative officials decided to cover both commodities in one contract with the understanding that if the contract applicant grew less than 10 acres of corn, he might sign to reduce hog production only and be eligible to reduction payments, or if he produced an average of less than 3 or 4 litters of hogs he might

sign to reduce corn acreage only and be eligible to receive corn payments. Also, because of administrative difficulties involved, Administration officials decided against requiring applications for a contract, as well as the contract itself, to be signed by the producer. Instead, the contract was drawn so that the first signature constituted an application. At the time this first signature was affixed the producer would turn in his production figures. The figures then were to be checked by a local unit known as the county allotment committee, and then returned to the producer for his second signature, which would make the contract binding on him.

BASE PERIOD OF 2 YEARS

A uniform base period of 2 years, December 1, 1931, to November 30, 1933, inclusive, was adopted. Production of both corn and hogs was to be reduced from the average production for this period. With corn, the reduction was in number of units, that is, the acres. The minimum requirement was a reduction to 20 percent below the average acreage in corn for the base period, but the contracting producer was given an option to reduce by a larger percentage if he so desired; the contract provided that he might receive payments for making a reduction of as much as 30 percent. This option, in addition to putting larger benefit payments at the disposal of cooperating producers, also permitted the squaring up of fields.

The requirement of 25 percent reduction in hogs was made to apply both to litters and to the number of hogs produced for market. It was the opinion of Administration officials that the double limitation would help producers compute more accurate production records, would enable inspection committees more readily to ascertain mistakes or overestimates, and would permit more accurate check-up on compliance with the contract.

CORN PAYMENT IN TWO INSTALLMENTS

The contract provided that the corn reduction payment should be 30 cents per bushel on the estimated yield of corn which the contracted acres would produce. This corn payment was divided into two installments—15 cents per bushel as soon as practicable after acceptance of the contract by the Secretary, and 15 cents per bushel, less the producer's pro rata share of local administrative expenses, on or after November 15, 1934.

The hog reduction payment was set at $5 per head on 75 percent of the adjusted annual average number of hogs produced for market from 1932–33 litters, to be paid in three installments; $2 per head upon acceptance of the contract by the Secretary, and the remainder of $3, less the producer's pro rata share of local administrative expenses, divided between two additional payments as of November 15, 1934, and February 1, 1935. It was planned to make the payment on November 15, 1934, approximately $1 per head of the hog allotment and $2 per head on February 1, 1935.

It will be noted that whereas the corn reduction payment was on the basis of units of production eliminated, the hog reduction payment was on the basis of the number of hogs which the producer was permitted to grow for market. It also is to be noted that the contract provided a payment to the producer on the basis of 75 percent of the

past production of hogs, regardless of whether the farmer actually produced his full allotment of hogs in 1934. To this extent the plan constituted a kind of crop insurance. In the case of corn, the producer was required to operate the farm under contract throughout 1934 except as exempted by administrative rulings, but not necessarily to grow the number of acres to corn permitted under his contract.

HOG BASE FOLLOWS PRODUCER; CORN BASE STAYS WITH LAND

After considerable discussion it was decided that the reduction in hogs should be made on the basis of the contracting producer's own past hog production records, even though he might have lived on other farms during preceding years, but that he should reduce corn acreage from the average acreage for the base period on the farm unit placed under contract regardless of whether the producer had resided there during either or both of the 2 years in the base period. In other words, the hog base was to follow the producer and the corn base was to remain with the land. Any other decision would have introduced a number of problems, especially in cases where the past production of corn or hogs, or both, on a farm, varied considerably from the oncoming producer's own operation.

LANDLORDS AND TENANTS PROVIDED FOR

The relationships of landlords and tenants provoked many difficult questions which had to be decided before the contract could be drawn. In general, it was decided that landlords and tenants both should sign the contract under crop-share leases, except when none of the contracted acres were to be located on the tract owned by the landlord, and that the corn and hog reduction payment should be divided between landlord and tenant in the same proportion as each shared in the division of the crops or the proceeds therefrom. Landlords were not required to sign with cash tenants.

In order to assure share tenants that they would obtain a fair proportion of the reduction payments, the landlord was prohibited from making any change in the lease or the tenure of the farm purposely to prevent tenants from obtaining in 1934 the share of the payments they would receive if such payments were divided in proportion to the division of the corn crop and hogs in 1933 or to the division of the proceeds from such corn and hogs.

It was provided that the contracted acres should be used for planting additional permanent pasture for soil-improving and erosion-preventing crops not to be harvested, for resting or fallowing the land, for weed eradication or for planting farm woodlots, except as otherwise prescribed from time to time by the Secretary of Agriculture.

UNECONOMIC SHIFTING OF CROPS PREVENTED

In order to prevent an unnecessary and uneconomic shifting from corn and hog production to other crops, provisions were put in the contract which specified that the contracting producer should not increase on his farm in 1934 above 1932 or 1933, whichever was higher: (a) The total acres of crops planted for harvest plus the contracted acres; (b) the acreage planted to each crop for sale designated as a basic commodity in the act; (c) the total acreage of feed crops other than corn and hay; (d) the number of any kind of livestock other than

hogs designated as a basic commodity in the act (or a product of which is so designated) kept on the farm for sale (or the sale of the product thereof). Also it was specified that the contracting producer should not increase in 1934 the aggregate corn acreage on all other land owned, operated, or controlled by him not covered by the contract above the average acreage for such land and that he should not increase the number of feeder pigs bought by him in 1934 above the average number for 1932 and 1933. He also was not to be permitted to have any vested or contingent interest in hogs located on land not owned or operated by him.

The primary reason for placing these limitations on the contracting producers was to insure that their operations under the contract really would result in a net reduction in the whole agricultural output as well as in the specific reduction of corn and hogs. It was recognized that if a net reduction in the entire agricultural output was not a result of a reduction in corn and hogs, little real benefit would accrue to farmers as a group The benefit from higher corn and hog prices through production adjustment would be offset by the price-depressing effects of increased production in commodities other than corn and hogs.

CONTRACT SIGNERS REQUIRED TO REPORT PAST PRODUCTION

As a basis for determining the required reductions in production and the amount of the benefit payments to be made therewith the producer was required to report for inclusion in the contract the acreage of all crops or use to which the land was put during the 1932–33 seasons, a history of production for the 1929–33 period of fields designated as contracted acres, a report on the utilization of the corn for 1932 and 1933; that is, whether it was harvested as grain, hogged off, cut for silage, or fed green The producer also was required to report the number of spring and fall litters owned by him when farrowed in 1932 and 1933, the numbers of hogs raised from these litters, already sold for slaughter, already stocked as stockers, feeders, or breeders, already slaughtered for use on the farm, to be slaughtered for use on the farm, to be sold and/or retained for breeding purposes.

In view of the fact that a considerable area of farm land is owned or controlled by private parties and corporations, such as insurance companies, and that in many cases it would be inexpedient for such owners to place all of their land under contract, provisions were drawn so that only a single farming unit was to be covered by each contract. That is to say, in the case of a landlord owning 10 different farms operated by 10 different tenants, 10 separate contracts will be required to cover the landlord's holdings.

The placing of an owner's total holdings under one contract was objectionable because the landlord might not be able to obtain the cooperation of one or more tenants, and in other cases where whole farms are units in the rotation scheme, rotation practice would be seriously disrupted. In order to insure, however, that the reduction on one farm placed under contract by the landlord would not be offset by increase in production on other farms not placed under contract, it was provided that the contract signer could not increase in 1934 the aggregate corn acreage on all other land owned, operated, or controlled by him which was not covered by a contract above the average acreage for such land for 1932 and 1933.

PRELIMINARY CONFERENCES WITH PRODUCERS

After Administration officials had developed the contract in tentative form, they conducted a series of preliminary conferences in the Middle West and South with Federal and State extension workers, producer representatives and others to discuss further the proposed provisions and the detailed outline of the adjustment plan. The officials were especially anxious to have the views of producers as to how the tentative contract would apply to the many individual situations to be encountered among the one and a half million to two million corn and hog producers of the country. They also sought suggestions as to methods of procuring and verifying individual records of corn and hog production and as to organization of local producers' committees for conducting sign-up campaigns. These district conferences were held at Indianapolis, Kansas City, St. Paul, Chicago, Atlanta, and Washington, D.C. As anticipated, many valuable suggestions were obtained at these field conferences and several revisions in the contract based on them subsequently were made. (See exhibit 23 of appendix I.)

ADMINISTRATIVE RULINGS DRAWN

After the contract had been definitely drawn up, the Administration next undertook the preparation of administrative rulings and the supplementary forms to be filled in by contracting producers. They also developed the administrative machinery required for conducting the educational and contract sign-up phases of the campaign.

Administrative rulings were required for the purpose of elaborating on certain phases of the contract which could not be completely covered in the contract form and also to care for special circumstances so infrequently encountered as not to warrant their specific inclusion in the contract itself. These rulings gave specific instructions as to who could sign the contract, how the 1932–33 and 1934 litter averages were to be determined, how the average number of hogs produced for market was computed, and how the yield of contracted acres was to be estimated.

It was especially necessary to develop rulings with respect to situations of producers who rented several tracts of land from different landlords and of landlords who rented several tracts of land to different tenants. Also, it was necessary to establish a method for transferring hog bases from persons who were ceasing farm operations to persons who were beginning farm operations.

As was anticipated, a number of revisions, substitutions, and additions to the administrative rulings later were found necessary to meet practical conditions which arose as the sign-up campaign progressed. Farmers living in areas where drought and insects had reduced the average acre yield of corn during the past 5 years asked that the ruling be liberalized to permit local committees to determine the estimated yield of contracted acres on the basis of present fertility and on weather and other factors affecting yield which prevailed over the preceding 10-year period instead of a 5-year period only.

In consideration for producers residing in areas where excessive rainfall occurred in 1933, it was necessary to permit contracting farmers to use a figure 90 percent of the 1932 corn acreage in the place of the actual 1933 acreage in computing the corn acreage average.

DEATH-LOSS ALLOWANCE DROPPED

It was originally intended that a deduction of 15 percent should be made in the number of 1933 fall pigs remaining on hand at the time of signing the contract, in order to allow for probable future death losses before the animals actually would be marketed. When the contract sign-up was delayed, however, because of the great amount of detailed preliminary work, this death-loss allowance was dropped. The 1933 fall pigs in the meantime, being older, had become somewhat nearer market weight, hence the probable death loss figure had been substantially reduced. An additional reason for dropping the death-loss allowance was the fact that it would have involved extra computation in checking on the producers' compliance at the end of the 1934 season.

As the corn-hog reduction plan was the largest production adjustment project to be undertaken by the Administration in 1933, an efficient and extensive administrative set-up was required. More than two thirds (about 4,500,000) of all the farmers in the United States grow corn and hogs. About one and a half millions produce these two crops as a major enterprise. It seemed certain that a comparatively high percentage of the principal producers, particularly in about 1,000 counties of the Corn Belt, would be interested in signing contracts and that at least some farmers in every State would desire to participate.

Although the Agricultural Adjustment Act did not specify the character of the administrative set-up, it was in the spirit of the law that producers themselves should have a large part in the conduct of the program and should be responsible for its operation. The Administration adhered to this spirit of the law and developed a set-up which was democratic in nature, comparatively simple and which left most of the work in the hands of local and county committees of producers assisted by extension workers and county agricultural agents. By devoting some of their own time to the campaign, producers thus were able to hold down administrative costs because they had a part in the administrative affairs and also had a greater interest in the ultimate success of the program.

STATE COMMITTEES APPOINTED

State corn-hog committees appointed by the Administration and extension directors and temporary local committees were placed in charge of the preliminary work of the campaign. Committees for nine Corn Belt States were named by the Secretary of Agriculture and announced on December 22 as follows:

IOWA.—R. M. Evans (chairman), Laurens; Ralph Smith, Newton; William McArthur, Mason City; and R. K. Bliss, State extension director, Ames.

KANSAS.—Henry Behrens (chairman), Lyndon; Harry Umberger, State extension director, Manhattan; and E. E. Hodgson, Little River.

NEBRASKA.—W. H. Brokaw (chairman), State extension director, Lincoln; Herman Hanke, Ithaca; Henry Bock, David City; and John A. Robertson, Joy.

MINNESOTA.—Andrew Boss (chairman), State extension director, St. Paul; Harry Muir, Blue Earth; and Henry Bolstad, Dawson.

MISSOURI.—Xenephon Caverno (chairman), Canalou; F. V. Heinkel, Robertsville; John Evans, Marysville; and R. R. Thomasson, State extension director, Columbia.

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South Dakota.—Robert Dailey (chairman), Flandreau; Sam H. Lassen, Brookings; and A. M. Eberle, State extension director, Brookings.

Indiana.—John H. Skinner (chairman), State extension director, Lafayette; L. M. Vogler, Hope; and Lewis A. Taylor, Newburg.

Ohio.—H. C. Ramsower (chairman), State extension director, Columbus; C. B. Teegardin, Duvall; and John Wilson, Rudolph.

Illinois.—H. W. Mumford, (chairman), State extension director, Urbana; J. H. Lloyd, Springfield; Joe Fulkerson, Jerseyville; Ray Miller, Chicago; and E. A. Eckert, Mascoutah.

These State committees were charged with the responsibility of setting up temporary county campaign committees of from three to seven members either by direct appointment or through meetings of corn and hog producers. The county campaign committeemen set up temporary community campaign committees of three or more members either at election meetings or by direct appointment to conduct educational meetings and the preliminary sign-up campaign within the community area. In most cases the community area was the township. The temporary committeemen in the nine specified Corn Belt States were selected to serve until all producers within the community and county had had an opportunity to appear at sign-up meetings to fill out contracts.

Preliminary campaign organization work in other States than the nine specified Corn Belt States was handled primarily by the State Agricultural Extension Service in cooperation with the Administration.

EDUCATIONAL CAMPAIGN

The preliminary part of the sign-up campaign, in charge of temporary committees, consisted of holding educational meetings and in providing farmers directly with information on the plan and with several blank forms pertaining to the contract which they were asked to fill out. In order to expedite the assembling of accurate production records for transfer to the contract tables, farmers were provided with and asked to fill out (1) report forms called "work sheets" on which to list past crop- and hog-production figures, (2) statement of supporting evidence with respect to sales of hogs for various purposes, and (3) a map diagram on which an outline of the farm or farms under contract could be sketched to enable committeemen in locating the farm later on for inspection purposes.

The second stage of the sign-up campaign consisted of holding contract sign-up meetings at which interested producers presented their production figures; that is, from their work sheets and other forms for entry on the official contract blanks. With the aid of local committeemen the producers then were to affix their signatures to the contracts. After the producer had affixed his signature, community and county committeemen were charged with the responsibility of checking on his figures, making any corrections and adjustments deemed necessary, and returning the contract to him for second signature; that is, the signature of approval which would make the contract binding. After the second signature had been affixed, the contract was ready to send to Federal officials for acceptance and the issuance of benefit payments. Before contracts could be submitted to any producer for signature, all contracts had to be checked very carefully for errors and necessary adjustment.

PRELIMINARY ACCEPTANCE ARRANGED

Because it was feared that considerable time might elapse between the date first signatures were obtained and the data on which contracts would be ready for final approval, Administration officials developed an optional method for handling contracts which permitted preliminary acceptance by the Secretary of Agriculture and earlier issuance of reduction payments. Under this method a waiver form called the "rider", prepared by the Administration, was to be pasted to the regular contract form. At the time of the first sign-up, the producer also was to sign the "rider", under which he agreed to accept in advance any adjustment found necessary in his figures by the community or county committeemen. Where contracts were handled in this way it was possible to forward them after preliminary examination and without first being compared with all other contracts, directly to the Federal office for preliminary acceptance. Then if the final check-up by local committeemen required further adjustment or corrections, such adjustment was possible without the prior consent of the signer and proportionate adjustment could be made in subsequent reduction payments.

COMMUNITY COMMITTEES

After all producers had had an opportunity to sign contracts, either with or without "riders", those who did sign were to gather at a general community meeting to elect a permanent community committee consisting of from 3 to 5 members, the chairman of whom would represent the community as a member of the board of directors of the county corn-hog control association. After all communities had held these permanent organization meetings, the several community representatives constituting the board of directors were to meet formally to organize the association, in accordance with articles prescribed by the Administration.

All farmers automatically became association members upon signing contracts and were entitled to one vote each. It was provided that not more than one control association could be organized in a single county, but that two or more counties could set up a single association. This permitted minor corn-hog producing counties to combine and thus reduce administrative expenses.

The board of directors at its first meeting was scheduled to elect a county allotment committee of not less than 2 and not more than 4 members from the directorate, a president who was a member of the board and who also was to serve as chairman of the county allotment committee, a vice president who should be a member of the board, a secretary not required to be a member of the association, and a treasurer not required to be a member of the association.

The duties of the permanent community committees included: (1) Obtaining contracts, (2) assisting applicants in preparing data required in the contract, (3) appraising corn yield of land offered as contracted acres, (4) checking and correcting data offered by producers and landlords, (5) obtaining production data on corn and hogs of noncontract signers, (6) obtaining execution of contracts after adjustment of figures, (7) certifying production records in determination of 1932–33 average corn acreage and hog base, (8)

assisting at community meetings, (9) making investigations relative to contracts, and (10) performing such other duties as may be assigned to it by the county allotment committee or the corn-hog section.

150,000 COMMITTEEMEN NEEDED

It was estimated that as many as 150,000 corn-hog producers and others interested in the program would be needed to serve as campaign committeemen for the total farming area where contracts were offered. In order to assist the county committees it was provided that field supervisors might be appointed for the purpose of inspecting farms under contract and performing other duties assigned to them.

The county corn-hog production control associations were the permanent key units in the corn-hog production adjustment program. The association's allotment committee was charged with the responsibility of checking, and where necessary, making adjustments, in all contracts filed in the county; and certification to the Administration of the total corrected figures of the 1934 corn acreage, the contracted acreages, the corn-reduction and hog-reduction payments for the county. The articles of association also gave power to the allotment committee to hold such hearings and conduct such investigations as were found necessary to the performance of its duties.

The board of directors of the association was vested with power to decide appeals of members (farmers who signed contracts), from decisions of the county allotment committee, to authorize expenditures incident to the corn-hog program, subject to the approval of the Administration, and to prepare an association budget for county administrative expenses for approval by the Administration. The board was asked to redefine community boundaries (minor civil divisions used as enumeration districts for census purposes were used in this redefining of community boundaries).

CHECKING OF CONTRACTS

One of the very important tasks in connection with the conduct of the corn-hog program was the checking of contracts. This checking had to start by a careful examination by the community committee of the work-sheet figures as submitted by the producers. The purpose of such checking was to eliminate simple errors in calculation and deliberate or unintentional over-statements of fact with respect to past corn and hog production. It was obvious that such errors should be caught as early as possible in order to prevent any delay in handling the contract after it reached the county offices. In spite of instructions to local committeemen, however, it had to be assumed that some adjustments in the signers' figures probably would have to be made by the county allotment committee in the final check-up on the aggregate and individual reports. It had to be recognized that many producers have no accurate weight or measure records of past production and that estimates, even though apparently conservative, might result in a larger aggregate report for the community than seemed justified on the basis of available Federal statistics.

The Administration, therefore, set up adequate machinery for checking contracts at several points before they were finally recommended to the Secretary of Agriculture for issuance of reduction pay-

ment checks. Besides the county allotment committees, there was formed in each State a corn-hog board of review, made up of at least three members, one of whom was the Federal statistician for the State, another a representative from the State extension service or agricultural college, who had had some economic and statistical training, and a representative farmer. This board of review supervised and directed the work of tabulating and compiling data in each county from contract signers as well as assembling statistics from nonsigners. (In order to establish a more reliable basis for determining necessary adjustments in contract signers' figures, community committeemen were asked to obtain from nonsigners the information called for in the work sheet.) The State corn-hog board of review examined and analyzed, principally through assistant statisticians and field representatives of the extension service, the contracts as they were received in each county office.

Within the county, properly qualified persons were employed as tabulating clerks by the Federal statistician assigned to the State, to expedite the handling of contracts.

At one time the Administration considered making allotments of corn and hog production for 1934 to States, counties, and even to individual producers. On account of incompleteness of Federal statistics with respect to small production areas, this idea was abandoned. It then was decided to require that the aggregate of contract signers' records be in accord with available Federal statistics for the areas involved. If county allotment committees and State boards of review should discover that the aggregate records for any community were out of line, appropriate adjustments among individual contracts were to be made.

V. CORN LOANS

In late October a plan for making loans on corn, properly warehoused and sealed, was announced by the Secretary of Agriculture after a conference with the President. The Commodity Credit Corporation which had been organized shortly before by the Secretary of Agriculture and the Governor of the Farm Credit Administration, at the direction of the President, was put in charge of the loan program. A commitment of $150,000,000 was obtained from the Reconstruction Finance Corporation.

The corn loan plan was inaugurated by the Administration to provide immediate stimulus to farm purchasing power and to supplement the corn-hog production adjustment program for 1934. It merely gave farmers in advance some benefit of the increase in the value of corn expected eventually in view of the short corn crop in 1933, and the prospect for substantial acreage reduction in 1934. It was the equivalent of a modified price-fixing plan, but in signing the loan agreement the borrower also agreed to participate in the 1934 corn-hog production control program, that is, reduce his corn acreage by at least 20 percent and the number of litters farrowed and the hogs marketed from these litters by 25 percent. Because the agreement involved this pledge to abide by corn and hog reduction in the future, the Administration could regard the liberal loan program as a sound proposition.

The gross rate of the loan was 45 cents per bushel and the interest was at the rate of 4 percent. At the time the loan program was

begun this rate was considerably above the average farm price for corn. The maturity date of the notes given by borrowers was August 1, 1934.

LOANS OF 45 CENTS A BUSHEL

In States having farm warehouse acts loans were made on corn grading not lower than no. 4 and on the basis of 45 cents per bushel on the farm. A space of 2½ cubic feet (that is slightly in excess of the usual volume measure) was allowed per bushel of stored corn. State certificates that the corn had been warehoused under seal on the farm were accepted as collateral for the loan. The warehousing costs such as sealers' fee and insurance were borne by the borrower.

In Corn Belt States where there were no farm warehousing arrangements, the loans were available to farmers only on corn that they themselves had grown and stored in elevators or other public warehouses, bonded by Federal or State Governments, approved by the Commodity Credit Corporation. In order to qualify for loans in these States, the corn had to be shelled and graded no. 3 or better with moisture content not exceeding 15½ percent. The loan rate was 45 cents per bushel of 56 pounds. The loan agreement specified that the public warehouseman could not charge the borrower more than 1 cent per bushel per month for storage and not more than 1 cent per bushel for receiving, weighing, and loading out, or the usual charges for storing and handling at the time of the issuance of the warehouse receipts, whichever was the smaller amount.

The loan agreement involved no recourse on the farmer borrower provided the agreement was fulfilled (including compliance with the corn-hog contract) and provided there was no misrepresentation of fact made by the borrower in procuring the loan. The borrower was given the option of retiring the loan, plus accrued interest, at any time on or before the maturity date, August 1, 1934, but if the market price of corn on the maturity date was less per bushel than the loan amount per bushel the borrower might dismiss his obligation by turning over to the Commodity Credit Corporation or its representatives the number of bushels of corn originally stored. In event the corn was turned in for settlement, farm warehoused corn was to be furnished at the rate of 56 pounds per bushel instead of at the rate of 2½ cubic feet of grain as originally stored.

MIGHT BE STORED ON FARM

It was provided that if the quantity of stored corn surrendered by the borrower fell short of the quantity specified in the loan agreement, the producer would be personally liable for any deficiency. The contract provided that the corn might be held in storage on the farm for the account of the Commodity Credit Corporation without charge, after the maturity date of the note until October 15, 1934.

In States with farm warehouse acts, farmers were permitted to borrow on corn which they had purchased for feeding of livestock, provided they paid not less than 45 cents per bushel for this corn and obtained from the original producer an agreement to participate in the 1934 corn-hog production control program. Tenants were permitted to borrow if the landlord agreed to comply with the corn-hog contract. Landlords were permitted to borrow on their share of the corn crop provided they signed an agreement that the corn and

hog production on the farm on which the corn was grown would be reduced in 1934.

The loan regulations permitted any bank, cooperative marketing association or other corporation, partnership, association or person (except lending agencies of the Reconstruction Finance Corporation) to lend money to producers on eligible farm warehouse certificates in States having farm warehouses, or on elevator receipts in States not having farm warehouse laws. Under this arrangement the eligible borrower could take his warehouse receipt to a local bank, fill out a note and sign the loan agreement. The local bank then notified the Commodity Credit Corporation of the granting of the loan.

LEGISLATURES ACTED

When the program first was inaugurated the eligible States with farm warehouse laws were Illinois, Iowa, Minnesota, Nebraska, South Dakota, and Colorado. The eligible States without the farm warehouse laws were Indiana, Michigan, Missouri, Ohio, Kansas, and Wisconsin. Later, however, the State legislatures of Missouri, Kansas, and Ohio passed farm warehouse acts which made them eligible to loans at the rate provided for corn warehoused on the farm. In Indiana, loans were made on ear corn stored on the farm and inspected by State officials. First loans were made in the State of Iowa during the latter part of November. Loan activities were delayed in other States, however, until county warehouse boards were organized.

The corn loan program was utilized extensively by farmers over the Corn Belt. Farmers embraced the plan because it put at their disposal a sum of money considerably in excess of the current value of the corn which they had on hand. The loans were executed with promptness in most cases and increased the purchasing power in rural areas substantially. Farmers were able to buy quantities of industrial goods and to discharge accumulated debts. There was a tendency for the corn loan money to move with greater than average velocity upon being put into circulation. After the program was well under way, the daily loan rate considerably exceeded $1,000,000. By February 1, 1934, it was estimated that actual loans and applications for loans totaled approximately $70,000,000.

VI. PROCESSING TAXES

Both the emergency and long-time adjustment programs are being financed by processing taxes. The act authorized the collection of processing taxes on the first domestic processing of hogs and corn to provide for rental or benefit payments made with respect to these commodities, at rates and effective dates to be determined by the Secretary of Agriculture. Although it had been generally understood that all programs to raise the purchasing power of corn and hogs would be financed by processing taxes on one or the other or both of these commodities, it was not until August 18, that the Secretary of Agriculture took the first step toward the levying of these taxes. On that date he announced his intention to make benefit payments (that is, pay market premiums for pigs and sows) to producers of hogs. Although Treasury funds were immediately available to the Secretary for the conduct of the emergency program, it was necessary to assure a processing tax would be levied eventually.

It was estimated that the emergency hog-marketing program would require the collection of $40,000,000 to $50,000,000, or the equivalent of a tax of approximately 50 cents per hundredweight, live weight, for the period of 1 marketing year. When the 1934 corn-hog production adjustment program finally was worked out, however, it appeared that a much larger sum, or approximately $400,000,000, would be required to meet expenditures over a period of between 1 and 2 years. On account of the comparatively small amount of corn which enters commercial channels, it was obvious that hogs would have to bear most of the tax. When the schedule of reduction payments to producers had finally been developed, it appeared that revenue in the amount of approximately $164,000,000 from the hog processing tax and approximately $30,000,000 from the corn processing tax would have to be obtained in the 1933–34 marketing year, and that revenue in the amount of approximately $184,000,000 from hog tax collections and approximately $30,000,000 from the processing tax on corn would have to be obtained in the 1934–35 marketing year, to provide funds for the maximum anticipated expenditures.

FULL RATE NOT ADVISABLE

The complete corn-hog budget requirements had not yet been determined at the time the Secretary of Agriculture first declared that the processing taxes would be imposed. It was known, however, that the expenditures to provide payments to corn-hog producers would involve a tax of considerably more than an average of 50 cents per hundredweight on hogs. The Secretary had reason to believe, in the light of available statistics, that the full rate of the processing tax allowable under the law, that is, the difference between the current average farm price for hogs and the fair exchange value of hogs based on the pre-war relationship between hog prices and the prices of things farmers buy ($4.32 per hundredweight, as of Aug. 15), would cause a reduction in the quantity of hogs for hog products domestically consumed so as to result in an accumulation of surplus stocks of hog products or in the depression of farm prices. He called a public hearing on September 5, 1933, in accordance with the act, for the purpose of taking testimony with respect to these points.

The main point brought up for consideration in the hearing was the initial rate of the tax because that rate determined the amount which would become due on the floor stocks of hog products held by processors at the time the tax went into effect. The initial rate during the early part of the first marketing year, as determined by the Secretary, also was an important consideration in view of the fact that hog supplies would be continuing relatively heavy around November 1, the tentative date for imposition of the tax. It appeared probable, in view of these prospective heavy supplies, that the imposition of a heavy tax might cause a reduction in the price paid by packers for live hogs.

MEAT PROCESSORS REPRESENTED

Representatives of the meat processors recommended an initial processing tax not to exceed 25 cents per live hog. The processors were represented by Thomas E. Wilson and W. Whitfield Woods, of Chi-

cago, and John W. Rath, of Waterloo, Iowa, members of the executive committee of the Institute of American Meat Packers, and S. Clithero, of Chicago. These representatives contended that the imposition of a heavy initial processing tax would work hardship on meat processors on account of the heavy supplies of pork and lard then in storage. They also stated that the prospect of a heavy initial tax might precipitate the rapid liquidation of storage stocks before the date the tax went into effect with subsequent depressing effects upon the price of live hogs. It was recommended that the proposed tax of not to exceed 25 cents per hog should be continued until February 1934, when it should be raised to not more than a total of 50 cents per live hog for the succeeding 3 months' period, and that for the last half of the marketing year the total tax should not be increased to exceed $1 per head.

Representatives of the producers' committee of 25 were not in attendance at the tax hearing but they transmitted their recommendations by telegram to the administration officials. This telegram read as follows:

> Believing that the imposition of the full tax on hogs as authorized by law would seriously affect an already demoralized market we recommend an initial processing tax of 20 cents per 100 pounds and the immediate imposition of a compensatory tax on all substitute products for lard and grease including vegetable oils and fats.

Testimony presented at the tax hearing was taken under advisement by the administration, and further studies with respect to the imposition of a processing tax were conducted before the announcement of the determination of the rate and the first effective dates were announced.

INITIAL TAX SET AT 50 CENTS

In consideration of the testimony presented at the public hearing on September 5 and data obtained through investigations by the Administration, the initial rate of the processing tax on the slaughtering of live hogs was established at 50 cents per hundredweight or less than the full difference between the then current average farm price and the fair average value of hogs based on the pre-war price relationships. This announcement was made by the Secretary on October 19. It specified that November 5, 1933, would be the beginning of the first marketing year, the date on which the tax would apply.

The original regulations prepared by the Secretary called for increases in the tax to $1 per hundredweight on December 1, 1933; to $1.50 per hundredweight on January 1, 1934; and to $2 per hundredweight on February 1, 1934, after which date the rate was to continue until the end of the 1934–35 hog marketing year or until the Secretary adjusted the rate in accordance with the provisions of the act. The regulations issued by the Secretary also prescribed conversion factors which fixed the tax for all floor stocks of hog products held by processing establishments and others on the date the tax was to go into effect. These stocks included separate retail stocks held by the retailers and not disposed of within 30 days after November 5, 1933. All warehouse stocks, whether of retailer or wholesaler, were subject to the tax whether disposed of within 30 days or not.

SECOND INCREASE POSTPONED

The hog processing tax went into effect at the rate of 50 cents per hundredweight, live weight, on November 5 as scheduled. It was increased to $1 per hundredweight on December 1, 1933, as scheduled, but on December 22 the Secretary of Agriculture issued regulations extending the $1 rate of the tax through to February 1, 1934, and setting up a new schedule for subsequent increase. The new schedule called for an increase in the rate of the tax to $1.50 per hundredweight on February 1 and to $2.25 per hundredweight on March 1, 1934.

This revision was made when the findings of the Secretary indicated that the payment of the processing tax under the original schedule on the continued large slaughtering of hogs, particularly during January and February before the emergency hog-marketing program had taken full effect, would tend to result in the accumulation of surplus stocks and in the depression of the farm price of hogs.

On October 24 the Secretary of Agriculture, with the approval of the President, issued regulations determining the processing tax on field corn to be at the rate of 28 cents per bushel of 56 pounds, effective November 5, 1933, the beginning of the first corn-marketing year. This rate of 28 cents per bushel was the full legal rate of the tax, as it equalled the difference between the then current average farm price for field corn and the fair exchange value of field corn. This tax, like the hog processing tax, was levied to provide funds for benefit payments to farmers under the 1934 corn-hog adjustment program.

CORN TAX REVISED

Immediately, however, the Secretary called a public hearing to be held November 2 on the question whether the full legal processing tax, if imposed on field corn or its products would cause a reduction in the consumption of corn and tend to build up a burdensome surplus. In consideration of testimony presented at this public hearing and all data obtained through investigation with respect to the processing tax on field corn, the initial rate of the tax shortly before November 5 was adjusted from the full legal rate of 28 cents per bushel to 5 cents per bushel. The testimony and data indicated that the full legal rate would cause a reduction in the consumption of corn and tend to build up a burdensome surplus. The Secretary of Agriculture issued regulations fixing the tax rate on field corn at 5 cents per bushel and calling for an increase of the tax to 20 cents per bushel on December 1, 1933. On November 30, however, a revision of these regulations extending the 5-cent rate of the tax for an indefinite period was issued by the Secretary in consideration of data obtained through investigations which indicated that an increase of the tax would tend to cause a reduction in the consumption of corn and tend to result in the accumulation of surplus stocks.

COMPENSATING TAXES CONSIDERED

In accordance with section 15 (d) of the act, which permits the Secretary to ascertain from time to time whether the competitive position of the basic commodity being taxed is being unfavorably affected by competing products, the Secretary called two public

hearings on the question of compensatory taxes on commodities that compete with corn and its products.

The first hearing on October 30 was on the question of whether the payment of the hog processing tax was causing or would cause the processors thereof disadvantages in competition from cattle and calves, sheep and lambs, vegetable oils including cottonseed oil, palm oil, and coconut oil, fish and seafood products, and poultry and eggs by reason of excessive shifts in consumption between such commodities or their products

The second hearing, held on November 2, was on the question of whether the processing tax on corn was causing or would cause to the processors thereof, disadvantages in competition from cane and beet sugar and sirup, imported starches, including cassava, tapioca flour, prepared tapioca, crude sago, sago flour, arrowroot starch and arrowroot flour, molasses, and brewers' rice and screenings.

Testimony of both proponents and opponents on these questions of compensatory taxes on products that compete with corn and corn products and hogs and hog products was taken under advisement by the Administration for consideration along with economic data already assembled and to be assembled by the Department of Agriculture under the Agricultural Adjustment Act. If he finds after appropriate hearings that disadvantages in competition exist, the Secretary shall issue a proclamation containing such findings and specify what the competing products are and the rate of the compensating tax necessary to prevent such competitive disadvantages.

EXEMPTIONS GRANTED

Although the processing taxes with respect to corn and hogs, are collected from practically all establishments or persons engaged in the first domestic processing of commodities, certain exemptions were granted farmers in accordance with the Agricultural Adjustment Act. These exemptions at the outset were: (a) No tax to be required to be paid upon the grinding of 1 bushel of corn or less per week for the producer thereof, regardless of the purpose for which ground; (b) no tax to be paid upon the grinding of corn for feed purposes only; and (c) no tax to be paid on the processing of live hogs or corn by or for a producer for consumption by his own family, employees, or household.

On January 27, 1934, the Secretary of Agriculture, with the approval of the President, issued regulations that no tax would be required to be paid by the producer who slaughters his own hogs and who, together with his own family, employees, or household sells or exchanges not more than 300 pounds of the products derived therefrom during any marketing year, provided he does not sell or exchange in excess of 1,000 pounds of such products during any marketing year. The regulations provide that where the producer sells more than 1,000 pounds of products derived from his hogs during any marketing year he will lose this exemption.

VII. THE PROPOSED MARKETING AGREEMENT

Although not a part of the fundamental corn-hog production problem, the possibility of reducing processors' margins through marketing agreements authorized under the act was early brought to the attention of the Administration by both producer and packer representa-

tives. It was thought that packers operating under an agreement, which conditionally set aside the antitrust laws, might effect economies in operation that would mean higher prices to producers without substantially increasing prices to consumers. Consequently the Administration carried on conferences with respect to proposed processor marketing agreements concurrently with conferences to develop production adjustment control plans.

Initial moves toward the development of a marketing agreement between the Secretary of Agriculture and meat processors were suggested by Administration officials. The responsibility for developing the proposal in detail was assumed by the Institute of American Meat Packers, a national trade association of meat processors whose membership represents about 85 percent of the annual federally inspected slaughter of hogs. After several preliminary conferences with Administration officials, the institute submitted a proposed agreement and requested that a public hearing be called on it. In accordance with paragraph 2, section 8, of the Agricultural Adjustment Act, the Secretary of Agriculture conducted such a hearing on September 8, at which time all interested parties gave testimony concerning the several provisions of the agreement form.

PROVISIONS OF AGREEMENT

In brief, the proposed agreement discussed at the public hearing provided for the creation of a processors' committee responsible to the executive committee of the Institute of American Meat Packers, which would act in cooperation with the Secretary or his nominees and with coordinating committees representing livestock producers, marketing agencies, meat processors, and all distributing agencies, to the end that sound processing and distributing policies be established. Producers of cattle, hogs, and sheep were to be represented in this advisory set-up by committees of five members, acceptable to the Secretary. This agreement provided that the institute or the processors' committee could, with the approval of the Secretary, or his nominees, allocate the supply of livestock for slaughter among processors, according to estimates of probable supplies and based on past percentages of the United States commercial slaughter, handled respectively by each processor. Permission was also to be granted (1) to recommend to processors a schedule of shipments to the respective wholesale markets for the purpose of preventing shortages and surpluses of livestock products; (2) to establish prices for such hog products, according to trade territory, differentials in prices between various quantities, qualities and services, and rules of trade practices; and (3) to adopt and put into operation such other marketing policies as would tend to effectuate the declared policy of the act.

SUPPORT FOR PRODUCTION CONTROL PLAN

The agreement provisions carried a pledge of support of a production control program with reference to hogs, prohibited discrimination in favor of either direct buying or buying at terminal markets, specified that any price improvement resulting from operation of the agreement should not be pyramided to consumers, and required that processors executing the agreement should, upon the request of the Secretary, promptly furnish to him reports with reference to particular matters

covered by the agreement upon which he desired and requested information.

The proposed agreement gave access by the Secretary or his nominees to all conferences of the executive committee of the institute when acting pursuant to the agreement or of any other committees acting pursuant to the agreement. It was provided that the agreement should remain in force until the termination of the act, except that the Secretary could terminate the whole agreement or any provisions thereof upon 5 days' notice. It was provided that all policies, plans, and programs adopted pursuant to the agreement should remain in force until disapproved or suspended by the Secretary, or canceled or withdrawn by the institute and/or the processors' committee, or until changed in accordance with the agreement. It specifically stated that nothing in the agreement should be deemed to modify or abrogate the powers of the Secretary conferred upon him by the Agricultural Adjustment Act.

At the public hearing on September 8 representatives of the processors declared (1) that a regulation of livestock shipments under a system of allocation would help prevent price-depressing gluts; (2) that allocation of shipment of products would help eliminate the price-depressing effects of overshipment to consuming markets and similarly would eliminate the demand-depressing effects of higher prices which ultimately follow undershipment; (3) that establishment of fair trade practices would eliminate uneconomic price cutting among processors selling on the same wholesale markets; (4) that wasteful credit policies now tolerated because of competition for volume could be revised; (5) that duplication of sales effort where trade territories of several processors overlap could be cut more nearly to a minimum; and (6) substantial reductions could be made in packaging and delivery costs. It was stated that the agreement would permit adequate coordination of the meat-packing industry and that this ought to effect economies in trade practices that could be reflected in higher hog prices to producers.

POINTS OF DIFFERENCE

The main points of difference developed in the hearing were with respect to (1) allocation of livestock supplies among processors; (2) fixation of hog prices and hog product prices; (3) allocation of trade territory among packers; (4) the degree to which packers should open their books for examination by the Secretary of Agriculture; (5) whether or not the packers operating under the agreement should have the approval of the Secretary before taking action or should take action as deemed necessary subject to the subsequent approval of the Secretary; and (6) whether or not the agreement should place limitations on the practice of direct marketing of livestock.

The National Corn-Hog Committee of Twenty-Five proposed amendments asking that appropriate committees, representing producers of cattle, sheep, and hogs, be appointed to share authority jointly with the institute or a processors' committee, adopting minimum prices for livestock under the terms of the agreement and that, failing such joint action, the Secretary should be empowered to determine and announce such minimum prices. The committee recommended a provision which would require that each of the processors should promptly furnish to the Secretary, upon request, information

with reference to any and all matters covered by the agreement. Whereas the proposed agreement provided that producers should receive a "fair proportion" of the increased prices to consumers, if any, and a "fair proportion" of the savings of processors, if any, resulting from the agreement, the producers' committee recommended that the words "fair proportion" should be stricken and the word "all" substituted therefor.

DIRECT BUYING DEBATED

A number of parties making appearances, including several representatives of the cattle producers, asked that the agreement include no provision which would tend to discriminate against direct buying. In addition, representatives of the cattlemen spoke in favor of the agreement with suggestions for revision. It was stated that since cattle were not a basic commodity, a practical adjustment in production of slaughter cattle supplies, under the Agricultural Adjustment Act, could be made only through a marketing agreement with the packers, and that the need for such adjustment, preferably through diversion of some grades of cattle to low-quality products, was imperative for improvement of cattle market conditions.

Representatives of commission agencies and stockyards associations suggested amendments which would specifically restrict or eliminate the practice of direct buying of livestock.

In answer to inquiries from the hearing chairman, representatives of the processors stated, (1) that the perishable nature of hog products and the necessity for prompt action in shipments required that the processors' committee have the privilege of initiating action subject to subsequent rather than prior approval or disapproval of the Secretary; (2) that they were not inclined to make available to the Secretary all of their reports on business of their organizations, but that they would furnish, under oath, all information asked for by the Secretary; (3) that allocation of slaughter supplies and of trade territory would not be done without prior approval of the Secretary of Agriculture; and, (4) that the agreement presumably would not tend to prevent the consuming public from profiting by any increase in efficiency which certain processors might develop, that is, a modification in allocation of slaughter supplies so as to provide more efficient concerns with more volume need not be prohibited.

OPENING OF PACKERS' BOOKS AN ISSUE

The testimony received at the public hearing was taken under advisement by the Administration. Subsequent discussion was had with the packers with respect to points which were raised in an economic analysis by Administration officials of the proposal offered by the Institute of American Meat Packers, but as mutual agreement was not obtained concerning all the points, further steps toward the adoption of the marketing proposal eventually were indefinitely postponed. Briefly, the economic analysis recommended that the packers' books should be open to inspection at all times by the Secretary if allocation of supplies and fixation of prices both for live animals and finished products were permitted. It was also pointed out that the agreement should require the processors to maintain an unrestricted outlet for all livestock offers by farmers; and that a statistical organ-

ization sufficient to furnish adequate information with respect to values of finished products and live animals, and with respect to in-between costs and margins for transportation, processing and distribution, should be established. It appeared advisable also to require that all policies, plans, and programs adopted by the contract signatories first should be approved by the Secretary of Agriculture, rather than subject only to his veto after the policies, plans, or programs had been put into operation.

As an alternative to a marketing agreement which involved allocation of supplies and fixation of prices under proper supervision, it was suggested that competitive conditions permitting the payment of a maximum price to the producer might be had by a modified agreement which combined and coordinated the selling and distribution of livestock products and left the buying function open; that is to say, prohibited the fixing of maximum hog prices to producers and the allocation of supplies of livestock to individual processors.

AGREEMENT TABLED

It was regarded by the Administration as essential that any relaxation of the present antitrust laws under a marketing agreement with the processors should be supported by full access to the packers' accounts in order that it could be determined without question whether savings made under the agreement were being diverted to the producer in accordance with the declared policy of the Agricultural Adjustment Act, and to an extent that the percentage of the consumer's retail expenditures for hog products returned to the farmer would not exceed the percentage of consumer's expenditures so returned in the pre-war period. When the packer representatives declined to amend the proposed agreement in these respects, the agreement was temporarily tabled.

VIII. SUMMARY AND CONCLUSION

By the end of January 1934, that is, after about 8 months since the passage of the act, the Administration had taken action to provide immediate and intermediate support of the corn and hog market, and had begun action on fundamental adjustments in production which would lay the foundation for more permanent restoration of the pre-war relationship between prices of corn and hogs and prices of things farmers buy.

The first step toward alleviating the immediate price situation was the emergency purchase of approximately 6,400,000 pigs and sows to effect prompt reduction in hog supplies. This emergency program reduced supplies of hogs for the 1933–34 season by from 1,000,000,000 to 1,200,000,000 pounds, an amount equivalent to about 10 percent of the annual federally inspected slaughter. It was a boon to corn and hog farmers, particularly in drought areas, because it returned on the sale of the pigs and sows at least $10,000,000 more than otherwise would have been obtained from sale at prevailing prices. It also meant that the gross return from the hog crop from which reduction was made eventually could amount to as much as $100,000,000 more than would otherwise have been obtained, and it provided a large quantity of cured hog products for distribution to unemployed families.

PURCHASES BY FEDERAL SURPLUS RELIEF CORPORATION

After November 1933 the emergency hog marketing program was supplemented by additional purchases of live hogs and hog products for relief distribution by the Federal Surplus Relief Corporation. These additional purchases reduced supplies entering regular marketing channels and tended to increase the value per unit of hog product actually sold. Even so, hog supplies continued comparatively heavy all through the fall and winter months. The hog price situation was further aggravated by the pressure of heavy storage stocks held by packers. The storage stocks of packers in August had reached record levels and were equivalent to more than 6,000,000 hogs. As even cured products are relatively perishable and must be moved promptly into consumption, it was necessary through the fall months to reduce stocks rather rapidly. The sale of storage stocks was accelerated to some extent around the first of November, just prior to the imposition of the processing tax, which in the first instance, applied to storage stocks as well as the slaughtering of live hogs. (For additional information on the supplemental purchases of hogs and hog products, see chapter 12 of this report headed "Surplus Relief Operations.")

Paralleling the action to improve hog prices was the loan program for corn. The liberal loan offer enhanced directly the market value of corn and gave producers a welcome alternative to selling at the prevailing lower market prices in the fall and winter of 1933–34. The loan program was regarded as feasible in view of the comparatively short corn crop in 1933 and because each borrower pledged himself to hold down corn and hog production in 1934. Because the grain was placed in storage where it was not likely to flow to market unless corn prices rose above 45 cents per bushel, the corn price situation tended to improve as more and more corn was sealed.

During the year Administration officials held a number of conferences with processor representatives who were desirous of formulating a satisfactory marketing agreement with the Secretary, but the work did not proceed to completion when Administration officials and processor representatives found themselves at differences on several provisions of the agreement proposal which had been submitted. One of the main points in the case was the question of whether processors should make all of their accounts and books available to the Secretary if given permission under agreement to fix prices of both live hogs and hog prices, and to allocate hog supplies and trade territories in an effort to effect economies in processing and distribution. It was the contention of the Administration that such privileges should not be granted unless processors' accounts were available for audit and check to determine if the operation of the agreement was effectuating the purposes of the Agricultural Adjustment Act, that is, increasing farm purchasing power.

STUDY OF LIVESTOCK MARKETING

Administration officials also were petitioned during the year by livestock marketing agencies to take action with respect to the practice of direct marketing. The agencies contended that direct marketing minimized competition for live hogs in such a way as to depress farm income from hogs. Several proposed agreements which would

discourage or eliminate direct marketing were submitted. As no conclusive data on which to base judgment on this question were available, however, the Administration tabled the proposals and set up machinery for a comprehensive study of all livestock marketing practices in the United States. This survey will be brought to a conclusion as rapidly as possible in order to determine if action should be taken with respect to marketing practices.

Although the last to be put into operation, the 1934 corn-hog adjustment plan really was of first importance from the long-time standpoint. Given support by the majority of corn and hog producers this plan will effect a reduction of between 10,000,000 and 12,000,000 head of hogs to be produced for market in 1934 and 1935, and a reduction of between 15,000,000 and 20,000,000 acres of corn to be planted in the spring of 1934. It is the opinion of the Administration, based on past experience and on economic analysis of the present supply and demand situations, that such a reduction will go far to effectuate the declared policy of the act, that is to say, establish and maintain a balance between the production and consumption of corn and hogs and such conditions therefor as will reestablish prices to farmers at a level that will give these commodities a purchasing power with respect to articles they buy equivalent to the purchasing power of these commodities in the base pre-war period (August 1909–July 1914).

OPENING OF SIGN-UP CAMPAIGN DELAYED

Because of the great multitude of details involved in the development of the corn-hog contract and adequate administrative rulings and supplementary contract forms, the sign-up for the 1934 program was considerably and unavoidably delayed beyond the originally scheduled inauguration date. By early January, however, temporary county and community committees had been set up in most of the Corn Belt areas and first educational meetings were under way. During the early part of January, blank contracts, supplementary forms, and other material had been distributed among committeemen, who in turn distributed necessary material among farmers. By the latter part of January, signing of contracts was under way.

The educational meetings held preliminary to the contract sign-up were unusually well attended. Committeemen from every corn- and hog-growing State reported extraordinary interest among producers, and anticipated a high percentage of cooperation.

In late January, the number of potential contract signers was increased by an amendment in the administrative rulings which made all hog producers, irrespective of their past hog production level, eligible to reduction payment upon reducing litters and numbers of marketable hogs not less than 25 percent. Up until that time it had been ruled that only producers with an average of 4 litters or more for the base period were required to reduce hog production upon signing the contract, that producers with an average of less than 4 litters but not more than 3 litters could reduce production if they so desired and would be entitled to reduction payments and that producers with a litter average of less than 3 were not required to reduce production and in any event would not be eligible to hog reduction payments. (The minimum requirement of a past product average of not less than 10 acres, not including corn cut for silage or fed green, for eligibility to corn reduction payments was continued.)

The net benefits in dollars and cents which will accrue to corn and hog farmers as a result of the emergency and permanent programs conducted by the Administration, under the terms of the act, cannot be accurately and definitely forecast. In the first place, even the results of the emergency hog-marketing program had not had time to appear in full by the 1st of February 1934. The results of the more permanent adjustment in production under the 1934 corn-hog contract will not appear until the 1934 and 1935 marketing seasons. Second, it is difficult to estimate the benefits in dollars and cents, partly because of changes that may take place in the general price level henceforth.

OBJECTIVE IS TO REMOVE PRICE DISPARITY

The primary objective is to wipe out the disparity between corn and hog prices and the prices of things farmers buy. Increases in the corn- and hog-price level, as a consequence of inflation or other factors raising all prices to some extent, must not be confused with increases in the corn- and hog-price level which represent a real gain in farm purchasing power with respect to nonfarm goods. There is the possibility that the adjustment program might be decreasing the disparity at a time when the general price level was on the upward trend. Thus, the apparent dollars and cents equivalent of the percentage increase in corn and hog prices resulting from the adjustment program would be greater than the actual increase. The difficulty of making an advance record of benefits because of these possible variables in price trends has to be recognized.

It has been common opinion that the total of benefits to the contracting producer will represent the net benefit to be obtained from the adjustment plan, that is to say, that exclusive of payments, American farmers as a group will receive as much money directly from the reduced corn and hog crop at sale upon the open market as would have been obtained from the sale of the unreduced corn and hog crop. Much depends, of course, on the trend of the general price level, which usually involves a change, up or down, in the corn- and hog-price level. It is conceivable that with a substantial increase in business and industrial activity, the net benefits from the corn-hog adjustment plan will amount to more than the sum of the benefit payments, and that the remainder of the benefits will come from an increase in the regular market value of the commodity, exclusive of tax collections.

It is also somewhat difficult to calculate the benefits from the emergency program on account of similar varying factors, but it has been estimated these benefits will increase the gross return from hogs more than $100,000,000, possibly as much as $150,000,000.

The prospective benefits from the emergency hog-marketing plan were arrived at by estimating the total return of hog producers which probably will be obtained from inspected slaughter from November 1932 to May 1934 as compared with what it might have been if there had been no adjustment in supply, and by adding to this sum the amount of money paid for pigs and sows in excess of what they would have sold for at prevailing market prices, the saving of corn permitted by the sale of the pigs and sows, and the portion of the processing tax collected before May 1934 in excess of the amount needed to reimburse the Treasury for the cost of the emergency program.

BENEFITS FROM EMERGENCY PLAN TEMPORARILY OBSCURED

The benefits from the emergency plan temporarily were obscured by the imposition of the processing tax in November. At that time the emergency program had not yet affected the marketing of pigs exceeding 100 pounds in weight. Market supplies through the first several months following the imposition of the tax continued relatively heavy; consequently meat processors were unable to obtain prices for hog products sufficiently high to permit maintenance of the regular hog prices along with their payment of the processing tax. When hog prices declined during the fall and early winter months, primarily as a result of heavy marketings, there was a tendency among producers to believe that the Administration's program was producing no beneficial results. The imposition of the processing tax on hogs was erroneously regarded as actually depressing hog income for the year and was held to be primarily responsible for the entire decline in hog prices. This led to much confusion and misunderstanding of the purpose of the whole program.

In order to clear up the misunderstanding, a study was made by the Bureau of Agricultural Economics, of the principal factors involved in the hog price movements from October 1933 to December 1934. (See chapter 16 of this report headed "Incidence of Processing Taxes.") Briefly, the study indicated that in keeping with the usual trend of hog prices in the fall and winter months, the hog-price level in the latter part of 1933 had declined primarily because of the usual bulge in the year-end hog marketings. A study of retail prices and volume of hog product shipments indicated that consumers as a group were continuing to spend as many dollars for pork and lard, with respect to their income, as would have been expected under the current supply and demand situation and with no processing tax levied, but since a part of this consumer expenditure after November 5, 1933, was diverted to the Federal Treasury through the collection of the processing taxes, it appeared probable that, temporarily at least, hog prices probably were lower by a part or the full amount of the tax than they otherwise would have been.

When thoroughly analyzed, however, the temporary depressing effects of the tax were more apparent than real. In the first place, the tax proceeds were to be paid back promptly to producers in the form of benefit payments. Moreover, these first benefit payments would amount to more in total than the collection of processing taxes prior to the date of payment, according to the schedule of tax rates set forth by the regulation of the Secretary of Agriculture. In the second place, the temporary withholding of a part of the market value of hogs was for the purpose of collecting funds to encourage producers to make such adjustments in production as would eventually raise total income from hogs as well as hog prices.

MEANS OF PROTECTING COOPERATING FARMER

When the method of the plan was thoroughly understood, producers recognized its merits as a means for protecting the cooperating farmer. Farmers who helped adjust production were to share in the profits from the processing taxes as well as to obtain any benefit of increases in the regular market prices on the volume of corn and hogs they had

produced for sale. On the other hand, noncooperating farmers could get only the market price for the commodity not diverted to the Federal Government through processing tax collections, and they would not share in the proceeds from the processing taxes. The benefit payments to cooperating farmers were made large enough to assure them of substantially larger incomes than farmers who did not care to participate. In its broad outlines, the corn-hog reduction plan was comparatively simple and appealed to farmers because of its reasonableness.

Another benefit expected to accrue from the corn-hog plan is the development of a strong group consciousness among corn and hog farmers. Once developed, strong producer organizations can be utilized in the future to adjust farm production either up or down, as conditions require and, what is more important, by the proper degree. Many observers believe that, once having embarked on such a program, farmers will not entirely abandon the idea of voluntary group production control, even though demand for corn and hogs may improve sufficiently in the next few years to justify an expansion in corn and hog production. These observers point out that it seems desirable from the farm standpoint, as well as from the standpoint of general welfare, to control and direct any advisable expansion so that production will not proceed beyond the point where the maximum income can be realized from the enlarged demand.

It is recognized that plans developed thus far by the Administration for dealing with the corn-hog problem are not perfect in every detail, and therefore may not yield the maximum possible results. Officials have had to tread new ground every step of the way in development of plans. They have had to meet problems never considered before from the group standpoint. In spite of certain shortcomings, however, the program is regarded as a far-reaching move in the right direction and a guide for fitting individual corn-and-hog enterprise into a sound production schedule for the whole country.

CHAPTER 7

DAIRY PRODUCTS

The dairy program of the Agricultural Adjustment Administration includes two main lines of effort. They are, first, marketing agreements and licenses for city milk sheds containing only such provisions as can be promptly and vigorously enforced, particularly safeguarding uniform producers' prices set for each market at as high a point as can be sustained in the light of all economic factors affecting that market; and, second, a general dairy program aimed to increase all dairy farmers' income, whether from sale of whole milk or manufactured products, by adjustment and regulation of production, induced through distribution of adjustment payments. The general dairy program will be perfected only after complete discussion at regional dairy meetings in all parts of the United States. The aim of the Administration is to make these two lines of effort supplementary to each other and to bring about a balanced relationship between the prices of manufactured dairy products and fluid milk.

Fully to understand the significance of the dairy policy now being followed by the Administration, one must be familiar with the developments which led up to it.

I. HISTORICAL AND ECONOMIC REVIEW

The critical problems of the dairy industry were among the first presented to the Administration after passage of the Agricultural Adjustment Act. The complex nature of this vast and widely scattered industry, involving many human and seasonal uncertainties and interrelations with other grand divisions of agriculture, made the task of restoring it to economic health exceedingly difficult. Divergent and often contradictory points of view in different divisions of the industry complicated the problem.

Until such time as experience by trial and error could result in agreement as to the soundest methods of uniformly attaining the declared purpose of the act for a majority of the dairy producers, the administrative policy of necessity was experimental. The mandate of the act was clear, but the manner of carrying out that mandate with respect to dairy products was not so clear.

The powers conferred upon the Secretary of Agriculture by the Agricultural Adjustment Act were somewhat circumscribed by the peculiar nature and conditions of the industry.

DAIRY INDUSTRY LARGE AND COMPLEX

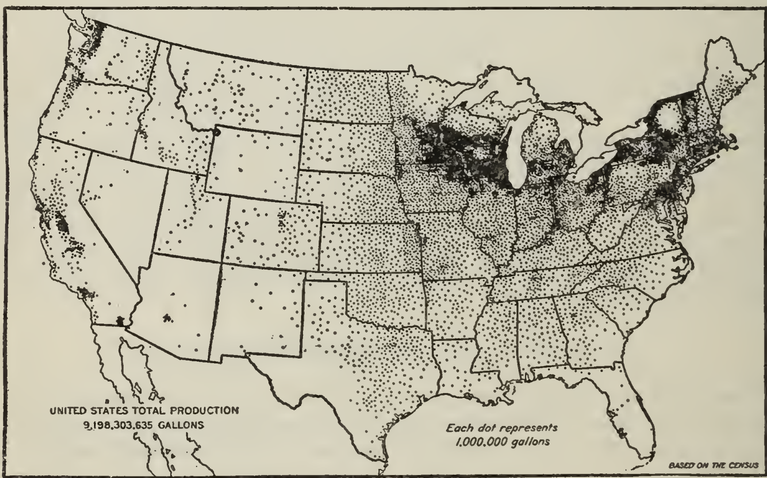
There are nearly 4,000,000 producers of milk in the United States. These are widely scattered throughout the country, with heaviest production in the North Central States, the northeastern section, and along the Pacific coast. Total income of farmers from dairy products averaged more than $1,800,000,000 during the period from

1929 to 1932, an amount greater than the gross value of the product of any other branch of American agriculture. In 1932, it constituted approximately one fourth of the total farm income.

Milk, the primary product, is manufactured into butter, cheese, evaporated and condensed milk, dried milk, casein, and other products. The marketing of these products is itself complex. Their prices are interrelated, with butterfat as the fundamental price determinant.

Milk is produced every day, and in fluid form is highly perishable. Elaborate facilities have been built up for handling and distributing it to consumers each day. This involves observance of strict sanitary requirements imposed by State laws and local ordinances.

Chart 19.—Milk Produced on Farms, 1924



On account of the perishable nature of fluid milk and the relatively minor place held by our manufactured dairy products in world trade, the problem thus far lies not in disposal of an exportable surplus, but rather in keeping our production in balance with domestic demand.

ADVANTAGES OF DAIRY INDUSTRY IN POST-WAR PERIOD

To understand the present dairy situation, it is necessary to review the events of the last 15 or 20 years. The World War brought an intense demand for food, and when this abnormal demand had passed the United States was left with an agricultural plant having capacity expanded beyond market needs. Farmers, in their attempts to find what they could produce profitably, shifted from one crop to another. The United States had successive and sometimes concurrent surpluses of wheat, cotton, corn, and other products and as each wave of overproduction struck the market, the price of the product fell to lower levels.

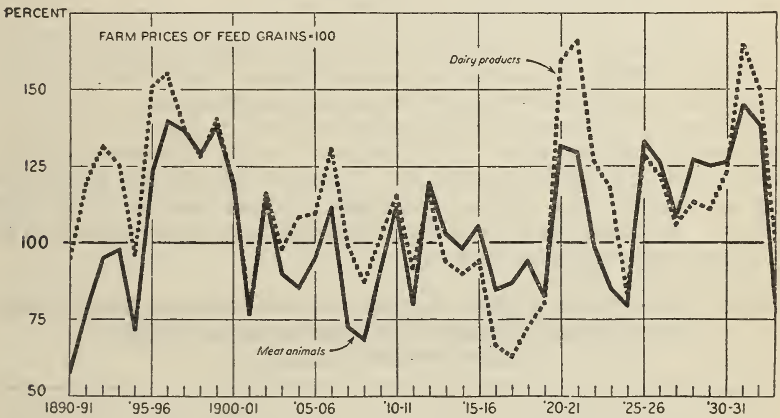
Meantime, the dairy industry was much more fortunate than other branches of American agriculture. It was not so easy for farmers to go quickly into dairy production as it was to get into wheat and cotton. Moreover, the demand for dairy products followed a mounting curve.

This increase in demand was due partly to the fact that the consumers in the cities were relatively prosperous, with wages on a high level, and could buy greater quantities of milk, and partly to publicity given the discoveries by scientific students of nutrition regarding the food values of dairy products.

The dairymen had two other advantages. There was no exportable surplus of their product and therefore it could be and was protected by a tariff. In addition, grain and other feed prices were extremely low throughout that period.

During the pre-war years and up to 1920, 1 pound of butterfat would buy approximately 20 pounds of grain on the average in the United States. During the post-war decade, 1 pound of butterfat would purchase about 30 pounds of grain. In December 1932, the same amount of butterfat would buy 60 pounds of grain. In the West Central States, this relationship reached a point at which 1 pound of butterfat would purchase 75 pounds of grain.

Chart 20.—Relation of Farm Prices of Meat Animals and Dairy Products to Farm Price of Feed Grains, 1890 to Date



WHY ADVANTAGES COULD NOT BE PERMANENT

But it was inevitable that the relative advantage enjoyed by the dairy industry should be only temporary. One of two things was certain to occur: The other groups of farmers, observing that greater profits were to be had in dairying, would shift to it if their own condition did not improve; or, if their condition did improve, the prices of grain would go up and dairymen would find it less profitable to continue intensive feeding of their cows.

As a matter of fact, there was considerable shifting to dairying in the period previous to 1929. The dairy farmers themselves were responsible for part of this. They proclaimed to the world that the dairy cow was the most important source of prosperity on the farm. Those who had breeding stock to sell fostered sales and advertising campaigns. Railroads and business interests cooperated in sending special trains over nondairy regions from New Orleans to the Pacific coast, to spread the gospel of the advantages of dairying and diversified farming.

INCREASE OF COW NUMBERS AND MILK PRODUCTION

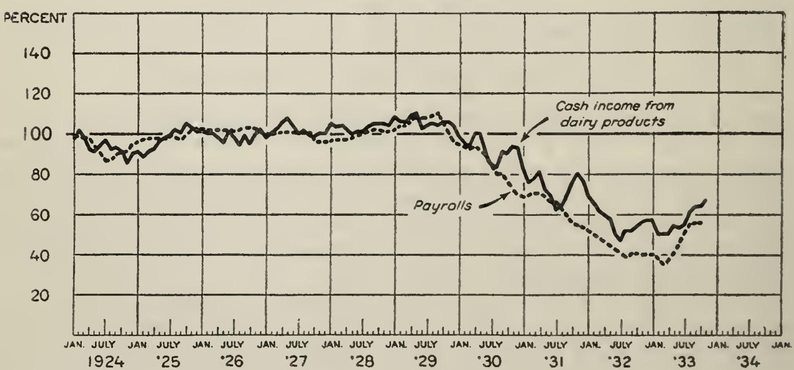
This inevitable shift, and the continued high ratio of butterfat value to grain value, caused a steady increase in the number of milk cows in the United States, until it reached an all-time peak of more than 25,000,000 at the beginning of 1933, as compared with only 22,330,000 in January 1929. Average production from each cow declined by 6 percent from 1929 to 1932, however. Total production of milk on farms in the years from 1924 to 1932 is shown in table 17.

TABLE 17. *Milk production, 1924–32*

Year	Milk produced in United States	Per capita production	Year	Milk produced in United States	Per capita production
	Million lb.	*Pounds*		*Million lb.*	*Pounds*
1924	87,069	768	1929	98,782	805
1925	88,375	769	1930	99,736	809
1926	91,887	788	1931	101,970	821
1927	94,307	797	1932	101,863	812
1928	95,910	800			

The production of manufactured dairy products during the first 8 months of 1933 was about 4 percent greater than during the corresponding period of 1932, and apparent consumption was about 3 percent less. As a result, cold storage stocks of butter reached record high levels in September. By October 1, 1933, creamery butter in storage was 175,000,000 pounds, as against 89,000,000 pounds one year previously, and a 5-year average for that date of 118,000,000 pounds. American cheese storage was high, but not so far out of line with previous records as butter.

Chart 21.—Factory Payrolls and Cash Income from Dairy Products (Adjusted for Seasonal Variation, 1924–29=100 Percent)



Creamery outter production increased 3 percent and cheese production increased 7.4 percent in the first 8 months of 1933 over the same period of 1932. Evaporated milk production increased about 14 percent over 1932. The net result expressed in total milk equivalents made a gain of 4.2 percent over 1932 production. The only

manufactured milk commodity to show gains in consumption in the same period compared with 1932 was evaporated milk, with 9.8 percent greater trade output. This probably reflected a shift from fluid milk to evaporated milk, rather than a real increase in demand.

Meantime, the advent of business depression caused serious curtailment in the demand for dairy products at the existing prices. Milk, butter and cheese were among the articles of food cut down by families with lessened income, and this contributed to the sharp falling-off in dairy prices. The index number for the prices of dairy products fell from 140 percent of pre-war in 1929 to 123 in 1930; 94 in 1931; 71 in 1932; and 59 in March and April 1933. It was 76 on December 15, 1933. The price of butterfat on January 1, 1934, which was 16 cents a pound, was 48 percent of pre-war purchasing power parity.

The effect of the increase in the number of producing cows and the decrease in consuming power was minimized for a time by restriction of milk production caused by prolonged and severe drought over wide production areas. Only recently the dairy industry has begun to feel the full effects of excess production and lowered consumption. These two factors have contributed in about equal proportions to the surplus that accumulated toward the end of 1933. The increased price of grain has added to the difficulty.

II. FIRST SIX MONTHS UNDER THE ACT

Milk and its products are designated by the act a basic agricultural commodity and therefore the powers granted under provisions relating to control of production for market, as well as those relating to marketing agreements, are available in behalf of dairymen.

Some exploration of the problem was undertaken in May 1933. A committee from the Bureau of Agricultural Economics was designated to study possibilities for assistance to dairying under the act. The committee's report indicated that the greatest immediate possibilities lay in increased returns to fluid milk producers, although it stated that some slight increases might be secured for producers of milk used in manufactured products through the elimination of certain undesirable competitive practices. The complexity of the problem was presented, but no concrete attempt was made at that time to advance programs for adjustment.

Representatives of organized dairy groups then were hesitant about proposing a program of their own involving control of production on a national basis. At a meeting of representatives of all branches of the industry, held in Washington on June 26, 1933, to coordinate the dairy program under the Agricultural Adjustment Act, no branch of the industry insisted that the program must include a general plan of control of production. One committee was selected to consider the subject, but it reported that voluntary individual adjustment through educational methods was preferable, perhaps accompanied by efforts to increase consumption.

Incident to the June 26 dairy conference, various branches of the industry made reports regarding the action which each one contemplated under the marketing agreement section of the act. The dry skim milk, evaporated milk, cheese, ice cream and butter industries through their spokesmen declared their purpose to offer complete

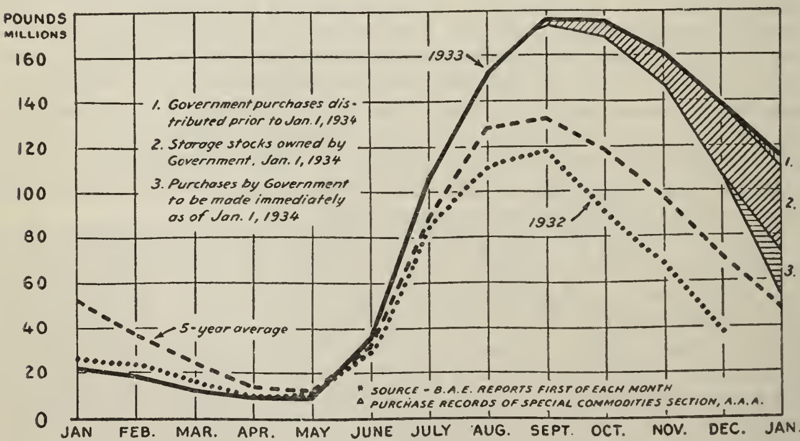
marketing agreements during the summer for consideration by the Administration. Likewise there was discussion of the several milkshed marketing agreements which had been offered up to that date. Little if any thought was given, however, to production adjustment measures as direct parts of the proposed industry agreements, and the only intimation of production control in connection with the milk shed agreements related to the so-called base-surplus plan, which is primarily useful in evening out supplies through the year.

BUTTER STABILIZATION ATTEMPTED

As the season progressed, production increased and the price of articles bought by farmers also increased. Butter prices declined and cheese prices fell in sympathy with them. The situation became so acute that a committee representing mid-western milk producers, creamery, and cheese factory interests, and others met on August 17 with the Secretary of Agriculture and administrative officials. Members urged quick action to sustain the prices for butter and cheese. Even then the dairy leaders were reluctant to advocate production control but united in requests for stabilization with Government aid.

Because of the serious situation, the Secretary decided to grant the request in a limited way, with the definite understanding that some feasible plan of production control would be worked out with the support of the industry. The Administration agreed to advance funds in a temporary surplus removal program, in cooperation with the Federal Emergency Relief Administration, so as to keep part of the

Chart 22.—Storage Holdings—Creamery Butter—1932 and 1933*
(Effect of Government Purchases) Δ



surplus dairy products from competitive trade channels. This operation was looked upon as a temporary procedure pending proper production control, as the economic weakness of stabilization alone was recognized by the Administration. Details of this stabilization undertaking are described in chapter 12 of this report headed "Surplus Relief Operations."

The Agricultural Adjustment Administration allotted nearly $12,000,000 for purchases of butter and cheese under this plan. Aside from its current and temporary value as a price stimulant for butterfat and its welfare value for the needy unemployed, the program was conceded by the administrators in the absence of a production control program to be a palliative rather than a cure for the maladjustment of the industry. There was a definite decision at the outset not to depend upon surplus butter buying or stabilization as permanent programs for dairy recovery.

HEARING ON PROCESSING TAX

Meantime, first steps were taken looking toward a production control program. A proclamation was issued in which the Secretary of Agriculture announced his intention to pay benefits to dairy producers. A public hearing was called to consider whether processing taxes on dairy products would retard consumption or increase surplus. This hearing was held on October 16. Until the Administration's new dairy policy was announced early in 1934, the question of production control was left in abeyance.

MARKETING AGREEMENTS

In the months of inactivity on production adjustment problems, groups of producers, distributors, and manufacturers of milk and milk products pushed ahead with their plans for marketing agreements.

From May 12 to November 30, 1933, a total of 235 marketing agreements from 42 States and the District of Columbia were received by the Administration. The agreements were divided as follows: 205 milk marketing agreements, 7 butter agreements, 3 cheese agreements, 1 dry milk agreement, and 1 evaporated milk agreement.

Up to December 1, 13 milk marketing agreements had been approved and placed in effect for milk sheds. National agreements for dry skim milk and evaporated milk had also been approved and effectuated. Hearings had been held on 12 other milk marketing agreements, 1 butter agreement, and 1 ice cream agreement. Dates had been set for public hearings in December on 21 milk marketing agreements in the States of Kansas, North Carolina, Nebraska, Oklahoma, Alabama, and Texas.

AGREEMENTS IN EFFECT

The dairy marketing agreements in effect as of December 1, together with the dates on which they were made effective, were as follows:

Chicago, Ill., August 1; Philadelphia, Pa., August 25; Detroit, Mich., August 27; St. Paul-Minneapolis, Minn., September 2; national evaporated milk manufacturers' agreement, September 9; national dry skim-milk agreement, September 16; Baltimore, Md., September 29; Knoxville, Tenn., October 14; Evansville, Ind., October 23; Des Moines, Iowa, October 28; New Orleans, La., October 31; Boston, Mass., November 3; Oakland, Calif., November 7; Los Angeles, Calif., and St. Louis, Mo., November 22.

Much time was consumed by the Administration in detailed consideration of proposed amendments to prices, terms and conditions of milk-shed agreements already in effect. Advances in price to meet

advances in production costs, and some alterations in market plans and special concessions in prices for milk sold at schools were involved in the requested changes. Hearings had been held at Chicago, St. Paul, Philadelphia, and Detroit prior to December 1 on proposed amendments or for the purpose of clarifying local situations.

Amendments were cleared and accepted prior to December 1 on the agreements in Chicago, Baltimore, Philadelphia, Detroit, and St. Paul-Minneapolis.

PROVISIONS OF AGREEMENTS

Points found in most milk marketing agreements included:

1. Definition of the contracting parties to the agreement.
2. Definition of the boundaries of the production area and the sales area in the territory covered by the agreement.
3. Statement in legal terms of the exact relationship between the contracting parties to the agreement and the Secretary of Agriculture, under the terms of the Agricultural Adjustment Act.
4. Statement of the proposed schedule of price minimums payable to producers for milk delivered at the plants of the distributors, together with a definite statement of the standards for milk on the market with reference to butterfat and health regulations.
5. A market plan providing in some instances for stabilizing of production by an allotment of "bases" by producer organizations and the handling of the classified sales by distributors.
6. A statement of the distributor's resale prices to be charged consumers of milk sold by them at wholesale or retail.
7. Exhibits, in the case of some agreements, which give the rules for fair business practices. These were considerably simplified in later agreements.

BASE-SURPLUS PLAN

Most of the marketing agreements for the large consuming centers included the so-called "base-surplus plan" for leveling out production through the year. This system involved an allotment of bases to individual producers designed to insure that each had an opportunity to sell at fluid prices his fair share of the actual fluid sales on the market.

The base-surplus plan came into use in a number of fluid-milk markets during and after the World War. It was found that many dairymen produced much more milk in summer than in winter, whereas the demand for fluid milk was nearly uniform throughout the year. Cows usually freshened in the spring, and because they were put on pasture in summer, the cost of producing milk in the summer was much lower than in winter. It was to bring about a closer coordination of supply to demand throughout the year, with sufficient milk in the low production season, and to reward the farmer who leveled out his production, that the plan was devised.

Briefly, the plan operates this way: The amount of milk a dairyman produces during some period when supply is shortest—for example, October, November, and December—is called his "base" for the following 12 months. In the collective bargaining between the producers' association and the distributors, two prices are determined upon. One is called the "base price" and the other the "surplus price."

The farmer is paid the base price for that portion of his milk represented by his October-November-December base, and the surplus price for the remainder. The base price is usually a fixed amount per hundredweight, while the surplus price usually fluctuates in some

designated relation to the price of butter in New York, Chicago, or other markets.

Sometimes, when the amount of fluid milk sold by the distributors is out of line with the total of the individual farmers' "base" amounts, the plan is modified to meet the situation, that is, the farmers may be paid the base price for only 90 percent or some other fixed percentage of their actual base production, if the latter exceeds the amount of fluid-milk sales, or they may be paid the base price for 110 percent or some other fixed percentage above their actual base production, if this is less than the fluid-milk sales.

MUST BE CERTAIN OF SUPPLY

In order to be certain of having enough fluid milk to supply the demands of their customers, the distributors usually accept whatever surplus the producers send them. They sell as much of their supply as possible in the form of fluid milk, and the remainder goes into butter, ice cream, cheese, cottage cheese, powdered milk, evaporated milk, and other products.

Fluid milk commands a higher price than milk used in other forms. This is because fluid milk must be produced nearby, to meet local health standards, and must be available the year round, including the fall and winter months when production costs are high; whereas butter and other products, which can be stored, may be derived from low-cost producing areas and from milk produced in the summer when costs are low.

Thus the base-surplus plan serves to smooth out the supply over the different seasons of the year, and, as properly administered, is intended to pay the producers approximately in proportion to the use-value of the milk they market. The man who restricts the amount he markets during the summer months approximately to his base is rewarded with a higher average price than that received by the man whose production fluctuates widely between summer and winter. Although effective in reducing seasonal peaks, this system is not in itself regarded as a dependable plan for adjusting production as a whole. Another criticism that has been made is that the plan in some places is so complicated as to confuse producers and prevent them from knowing whether they are paid fairly for their milk.

SURPLUS PRICE DEPENDS ON BUTTER

The surplus price moves up or down as the price of butter rises or falls. Thus the return farmers in any given fluid milk area receive is the resultant of several factors. These include production of and demand for milk in that area, and production of and demand for butter and other dairy products in the country as a whole.

Milk prices must be skillfully adjusted to be equitable to producers and consumers, and to assure a constant supply for consuming centers. If there are extreme fluctuations in supply and shortages occur, milk must be brought in from areas at a distance from the consuming center. This demoralizes the market for local producers and gives no permanent outlet for producers at a distance.

It was to avoid such fluctuations that the base-surplus plan was included in most of the marketing agreements.

Another principal feature of the agreements was the definition of milk shed boundaries. In the development of milk marketing practice the milk sheds or production areas had been limited to the territory adjacent to the market, because of sanitary inspection requirements and costs of transportation from long distances. Restrictions also had been placed on production areas to increase the stability of of markets. These factors prevailing in fluid-milk markets were recognized in the agreements. A blanket license, covering all milk distributing agencies on a given market whether they had signed the agreement or not, was the instrument of enforcement. In the dry skim milk and evaporated milk industry agreements no license was issued, as none was requested. Moreover, producers were not legal parties to these two particular milk agreements, though in the latter a special producers' committee, the function of which was to confer with the manufacturers on any proposed change in the price formula, was provided.

OTHER PROVISIONS

F.o.b. prices to producers were set as minimum prices below which no milk could be purchased. These prices were divided into classes according to the market usage. Consumer prices were also established, and the chief difficulty in formulating and administering agreements centered around the resale price schedules. Complete detailed schedules of resale prices, both wholesale and retail, appeared in the agreements up to the time of the change in policy. Special milks of high fat content or of grade A or certified quality were usually allowed separate ratings above the standard market milk of a defined fat content. Where grade A milk was the legal market standard, as in some parts of the South and California, it carried the normal minimum quotation. The license which accompanied one agreement carried only a maximum price to consumers without any minimum levels. This covered the Baltimore market. A few agreements had both maximums and minimums. Stores were licensed to charge the same retail prices as wagon distributors except in a few markets where a cash-and-carry differential was established, usually 1 cent below the delivered wagon price. The market history and trade custom served as a guide in regard to cash-and-carry differentials. In some markets the prevailing differential has been changed from 1 to 2 cents, and in one case a 2-cent differential existing on the market was eliminated, subject to subsequent hearing to determine its effects. Evidence in the latter case seemed to show that the differential was decreasing milk consumption.

MANUFACTURED PRODUCTS AGREEMENTS

Although the marketing agreements for the dry skim milk and evaporated milk industries carried no license provisions, this did not lessen the pressure upon the administrators. The evaporated milk agreement in particular was subjected to troublesome trade problems soon after it became effective, and most of these problems were telegraphed or taken in person to the Administration for arbitration or settlement. The dry skim milk agreement caused little or no detailed consideration after its effective date. In the case of the evaporated milk agreement the industry made every effort to conduct its own enforcement, with the help of the Administration. With the

exception of three small manufacturers who have not signed the agreement and are not complying with its provisions, the industry has cooperated well. Price cutting in retail stores, which is beyond the scope of the terms of the agreement, caused some difficulty and brought about several conferences at Washington between the manufacturers of canned milk and the managers of chain stores.

EVAPORATED MILK AGREEMENT

The immediate causes for adoption of the evaporated milk agreement were the rapidly increasing deliveries at plants, increasing stocks in manufacturers' hands, and some unwise and unfair trade practices. The movement to stabilize the evaporated milk industry originated in Wisconsin, and continued in a series of conferences between producers and manufacturers, culminating in the request by the manufacturers' committee early in April before the act was signed for some form of national agreement. Formal hearing was held in Washington, June 29, and was attended by the principal manufacturers and representatives of producers' cooperative marketing associations. Delay and debate arose over the question of producer representation and participation, the manufacturers arguing that much of their milk came from farms whose owners did not belong to the regular cooperatives. This was partly settled by providing that a committee of producers acceptable to the Secretary would be recognized in the agreement in connection with the adjustments which might occur in the formula used in establishing prices to farmers for milk. Aside from this, the producers do not participate in the existing agreement, which is intended to stabilize the industry and to insure better uniform farm prices for milk through the elimination of wasteful competitive trade practices. Minimum and maximum wholesale prices on case goods sold by manufacturers are contained in the agreement, varying with regions, and the farm price formula is based on a combination of butter and cheese prices in relation to the test on milk bought.

Administration executives pointed out that there were no allocation methods among manufacturers and no provisions inserted in the agreement for control of production, but the members of the industry could not agree on those matters and would not permit the producers to become actual contracting parties to the agreement. One manufacturer in the State of Washington was a cooperative, however. The agreement considerably stabilized the market and prevented widespread chaos and price cutting, at least for the time being. In April the national average price paid farmers for 3.5 percent milk at evaporating plants was 81 cents per 100 pounds. The national wholesale selling price was $2.21 per case. The common retail price on unadvertised brands at eastern chain stores was three cans for 17 cents, where it has consistently remained with a few exceptions. In October the farm price averaged $1.07 per hundred and the wholesale selling price per case was $2.57.

DRY SKIM MILK AGREEMENT

The marketing agreement for dry skim milk was proposed by the members of the American Dry Milk Institute, including several producer-owned milk plants. At the hearing on the agreement, prominent leaders of producers' sales agencies testified that the agreement would cut out many wasteful evils in the industry, increase demand

for dry skim milk and react favorably on country plants which produce so large an amount of this product in the process of butter making. Strengthening of wholesale selling prices for dry skim milk used in human and animal consumption resulted from the agreement, and although actual figures on the effect upon producers' net prices for whole milk are not available, the general effect appears to have been favorable to the industry.

In January 1933 the wholesale prices of dry skim milk in barrels were as follows at three principal primary markets: New York, 2½ to 6½ cents per pound; Chicago, 3½ to 6½ cents; Los Angeles, 4½ to 6 cents. Steady increases were noted as a rule through the summer prior to the agreement becoming effective, but in September when the agreement was signed the market rose sharply, and in October, the month after the effective date of the agreement, the prices at these markets were: New York, 6.8 to 9 cents per pound; Chicago, 5 to 9½ cents; and Los Angeles, 7½ to 8.3 cents per pound.

The dry skim milk agreement did not provide for the distribution of the product in packaged form for direct consumption and tended to restrict the sale of the article in small quantities. As the Bureau of Home Economics had found that dry skim milk is important in overcoming pellagra and other diseases of malnutrition, the Secretary in signing the agreement asked for special investigation on this point. He requested that a special subcommittee of the dry skim milk industry be named to cooperate with the Bureau of Home Economics in developing and trying out suitable small size packages for retail sales. The committee has been appointed and will soon hold its first meeting to inquire into the recommendations of the Secretary and experiment with the extension of dry skim milk sales through providing suitable packages.

All except a few of the firms making dry skim milk in large amounts became signatories to the existing agreement.

BUTTER AND CHEESE AGREEMENTS

Agreements have been proposed for butter and cheese. One reason why progress was delayed in the butter agreement lies in the division in the ranks of selling agencies and the unwillingness of some of them to make concessions, particularly as to representation on the control board proposed for the butter industry. No production control appears in the proposed butter agreement and none was suggested by its proponents. The processors and commercial handlers of butter objected to any license in connection with the agreement.

Until a well-considered program for production adjustment is ready for trial, little can be done to solve the problem for the butter and cheese industry. This is because the industries are linked together and because both are affected by fluid-milk production. Coordination through separate agreements without a national plan for production adjustment seems impractical.

ICE CREAM AGREEMENT PENDING

The Administration has received one national ice cream industry agreement and 17 related regional agreements. The hearing on the national agreement took place August 10. None of the affiliated regional agreements has been prepared for hearing, since their form

must follow that of the national agreement. The producer has had little benefit from the outlet provided for his product by ice cream and his prices have been out of line with the prices charged consumers.

III. DAIRY PROBLEMS WHICH HAVE EMERGED

In grappling with the dairy situation during the last half of 1933 and in trying to reconcile the conflicting points of view of the various elements within the industry, the Agricultural Adjustment Administration has focused more and more upon certain outstanding problems. Some of these are here discussed, to throw light upon the new policy which has been evolved.

FOREIGN TRADE

Consideration of dairy problems naturally includes study of foreign trade possibilities. With a high protective tariff on dairy products in the United States, domestic production and consumption of butter and other dairy products are closely balanced. Exports of dairy products, with the exception of condensed milk, have remained at negligible proportions for several years. Butter imports are ordinarily the most important source of foreign competition in the domestic markets as affected directly by comparative prices in this country and abroad. Of late, however, butter imports have not been made in any volume as the market has not been relatively attractive.

In 1932 only 1,605,150 pounds of butter and 1,408,159 pounds of cheese were exported by the United States, and the condensed and evaporated goods which cleared our ports foreign-bound that year were only 40,000,000 pounds, or much under normal. Cheese is the principal imported dairy product and in 1932 it stood twentieth in rank by value of all imports to this country, but was only 1 percent of the total (United States Tariff Commission). At the peak of export balances between 1878 and 1881, this country exported 10 percent of its domestic production, while imports were never greater than 1 percent of internal production.

From all available studies it would appear that not much reliance can be placed upon foreign trade relations as a stimulus to dairy recovery. This brings the problem of the dairy industry largely within the home boundaries.

MILK-SHED AGREEMENT PROBLEMS

Foremost among the emergency operating problems are the many perplexities arising from conditions in fluid milk sheds and attempts made to correct them through the Agricultural Adjustment Act's marketing agreement sections. These problems are so many and varied and persistent that more space than this report contemplates would be required to enumerate them all.

PRODUCER-DISTRIBUTORS COMPLICATE SITUATION

Perhaps the outstanding problem involves the rapid growth of producers who distribute their own milk. With the decline in value of manufactured dairy products and the comparative attractiveness of the fluid milk market, many producers have shifted to direct delivery of their own product. Such producers with smaller labor

and equipment costs could afford to cut prices below the prices which had been customary on such city markets. Some of them set up roadside stands also and sold their own milk and milk bought from neighbors. Under such competitive pressure the vicious cycle of falling prices was started in earnest. The established commercial distributors and processors were losing customers to the producer-distributors, and, hence, one easy way for them to break even was to cut their buying prices for milk. This in turn affected producers who were shippers, mostly through local cooperative bargaining associations.

At Phoenix, Ariz., in 1929 there were only six producer-distributors handling one third of the total volume of sales. In 1933 there were 100 producer-distributors there selling two thirds of the volume. Prices per quart fell from 12 cents to as low as 5 cents under the price warfare. In Topeka, Kans., producer-distributors have increased from 10 to 150 in 3 years and prices have fallen from 10 cents per quart down to 3 quarts for 10 cents. These are typical instances of chaotic competition arising from the natural desire of the producer to get a larger share of the consumer's dollar regardless of the effect on other producers or the industry as a whole. This drives the producers into two opposing classes in an economic sense and makes the problem of securing uniform benefits through agreements very difficult. It splits the interests of producers in respect to provisions designed to restore milk prices to parity.

If milk supplies were either handled entirely by cooperatives or similar groups with united purposes, or else by producer-distributors alone, the problem might not be so elusive.

Most producer-distributors, especially the newer ones, have little or no adequate data on costs of distribution. If they can sell their milk at above butter or cheese prices the new outlet appears distinctly advantageous. It was thought at one time that producer-distributors might be controlled under established resale price schedules. No producer price schedule affects their business directly, except where they buy part of their supply from other farmers. However, control of producer-distributors remains one of the serious obstacles to perfection of the milk marketing agreements. This is the reason why the Administration in its new policy has provided for minimum retail prices for protection of producers in markets where they are an important factor.

In this problem the same old cause appears—production in excess of what the markets of the country as a whole can absorb at fair prices. That is, if general conditions favored firmer demand and price conditions for manufactured dairy products on the home market, not so many producers would be driven into the direct-selling field.

SHOULD PRODUCTION AREAS BE DEFINED?

The second problem involved in milk marketing agreements for fluid zones has been that of justifying on economic grounds the existence of well-defined limits of territory from which supplies originate. Habit, expediency, and some health regulations have operated to draw lines around the principal city markets for milk. Producers in those market areas have justified their claim to first consideration by the existence of rigid sanitary standards that have obliged them to test cows regularly for disease and to maintain extra cooling and handling facilities.

The number of producers for such markets for several years has been limited approximately on the basis of the normal demand in volume, enough producers being rated as regular patrons to keep up the supply to peak levels. In connection with the agreements, struggles between members of bargaining cooperative agencies and independent outside dealers and farmers arose over this issue and the base-surplus market plan.

Under the exact meaning of the act, however, it becomes difficult to justify raising producers' prices with any territorial limitation in view. Interpreted carefully, the act seems to mean equal justice and equal benefits to all producers, and not special privilege to a few established ones. Spokesmen for the fluid milk industry have argued that in practice it is necessary to accept the market history as a guide and to enter agreements with well-defined territorial limitations. But these limitations would not be a controversial matter if butter prices were in line with fluid milk prices. The mutual interest of fluid milk and butter producers in production adjustment is not obscured, but on the contrary is emphasized by contention over milk-shed boundaries.

WAGON DISTRIBUTORS AND RETAIL STORES

The third problem facing the Administration in the formulation of marketing agreements is competition between wagon distributors and retail stores. While much time at the outset was spent in study of this relationship, it has become increasingly apparent that it is not the duty of the administrators under the terms of the act to settle disputes arising between rival agencies in the distribution field unless such disputes threaten to undermine the producers' security.

Rival claims on both sides have been offered as testimony at various hearings on marketing agreements. The established older agencies of distribution by wagon or truck direct to the doors of consumers sought to prove that chain stores particularly were reducing per capita sales of fluid milk and cream and eventually might lower the total volume for producers, affecting as well the price which could be profitably paid for milk. They argued that many stores have used milk as "loss leaders" in the past and many others have demanded established differentials below the current market prices for milk delivered.

The answer commonly made by the chain stores and other retail agencies was that they were amply justified in charging less for milk than wagon distributors. Their claim was based on the fact that distributors delivered wholesale lots to the stores and made many sales at one stop, against the higher cost of individual home service. They also stated that customers who were willing to come and get their milk should not be forced to pay the delivery charge. In this claim they had substantial support from consumer interests. Another point frequently made in favor of store selling of milk and cream was that many homes do not have refrigeration facilities and that frequent and intermittent buying is therefore necessary.

The chain stores offered evidence of lack of correlation between the falling off of consumption of milk and increased volume of sales by the chain stores, and sought to show a relationship between high prices of milk and falling off in consumption of milk.

Every agreement hearing to date has been enlivened by arguments over the wagon price versus store differentials. Rigid enforcement

of differentials was difficult and it finally ceased to be a prime objective of the Administration without further evidence of its being necessary or advisable for public welfare.

LICENSE ENFORCEMENT

Another problem in connection with milk-shed agreements is that of license enforcement.

Early in the administrative period it was determined that licenses would be issued to distributing agencies who were parties to marketing agreements when the contracting parties desired licenses. Regulations were drafted to cover the handling of license enforcement. These regulations granted ample hearings, after official citations, to alleged violators of agreements to show cause why their licenses should not be suspended or revoked. A total of about 145 individuals and firms had hearings upon citations, confined to distributors in Detroit, Chicago, and Philadelphia. Only 5 revocations of licenses followed, 2 in the Philadelphia milk shed and 3 in the Chicago metropolitan area.

One of the Philadelphia violators ceased doing business rather than put up a bond for reinstatement upon compliance, and the other continued to operate regardless of the clause in the act relating to penalties of not to exceed $1,000 per day for operating after license had been revoked.

Shortly after the three Chicago revocations were made, a hearing was held in Chicago at which all persons were permitted to testify with respect to the workings, merits, and defects of the Chicago license and agreement. Immediately after that hearing an audit of the books of the Chicago distributors was made. As a result of the hearing and of this audit, it became apparent that the consumers' price schedule was not defensible and the new policy, hereafter referred to, began to take shape. This new policy involved the abandonment of any effort to enforce consumers' prices except to a very limited extent.

About that time the producers' organization demanded the revocation of the agreement, and in accordance with the terms of the agreement, the Secretary, upon such demand, was required to terminate it on December 31, 1933. Because of these facts, no effort was made to bring proceedings in court based upon the revocations which had previously been made and which, as above noted, had been based upon violations of the provisions relating to consumers' prices. From August 1, when the Chicago agreement and license went into effect, until December 1, no evidence was brought forward by either the producers' organization or the distributors upon which the Administration considered that legal proceedings for violation of the provisions relating to the farmers' prices could have been brought.

The act authorizes license enforcement to protect the primary farm price and to safeguard consumers' interests. Action taken to oblige dealers to sell milk at a higher price than they desire, as long as they are not guilty of paying the farmer less than specified, was held to be not strictly within the scope of the act.

Around this question of license enforcement much of the debate over milk marketing agreements centered. Some of the producers' agencies and nearly all of the contracting dealers insisted upon rigid and complete license enforcement on the full schedule, both farm

price and resale price. However, public opinion and practical conditions of supply and demand tended to show that licenses drafted to cover agreements fixing the resale schedule by "freezing" wide distributing margins were practically impossible to enforce.

PROPOSALS FOR PRODUCTION CONTROL

A large number of proposals for adjusting production of milk have been received from groups and individuals and reviewed by the Agricultural Adjustment Administration. Most of these were merely skeleton ideas, without any detailed operating plans.

Proposed reduction of cow numbers receives much support. The purchase and slaughter of cows producing small amounts of butterfat as a move toward both reduction and efficiency has been advocated. Analysis of this proposal indicates that about $105,000,000 would be necessary for cattle buying to secure sufficient reduction in dairy products to offset the tax necessary to raise the funds.

Purchase and slaughter of diseased cows is another common idea. Mainly the proposal centers around removing of tubercular cows or other cows diseased. There are estimated to be about 600,000 tubercular cattle in the country, on which the testing expense and indemnity payments for reactors would amount to $40,000,000. If edible parts of the carcasses were salvaged it is thought the salvage value would be about $8,000,000. State funds appropriated already or expected to be available for this work would be about $9,000,000. This would leave a balance of about $20,000,000 which would have to be taken from processing taxes. The reduction in butterfat to be secured through elimination of that many cattle in 1 year would, it is estimated, be about 40,000,000 pounds. This reduction might be expected to increase the butterfat price one half cent per pound. However, in the long run elimination of tuberculosis increases rather than decreases production.

Various minor animal husbandry proposals have been made. Among these are feeding calves to greater maturity so as to use more milk, feeding rations with less grain and more hay and roughage, and drying off cows at stated contract fees. Reduction of the proportion of farm lands in dairy areas devoted to cereal grain crops is another proposal intended to cut feed supplies and thereby cut production.

HIGHER FAT STANDARDS ADVOCATED

Increasing the official fat standards of such products as butter, cheese, and ice cream has been incorporated in another suggested method of cutting production. Proponents hold that it would cause butterfat to be consumed in greater quantities. Others maintain that the price of butter would be increased as a result, and that with consumers spending approximately the same amount for butter in a year's time the actual returns to producers would not be greatly increased.

The elimination of marginal and "lower order use" land from agricultural production is also suggested. It is too broad for adaptation by the dairy industry alone, but should no doubt be contemplated in any long-time agricultural policy.

Increasing consumption is another favorite suggestion, and proposals have been made to engage in an intensive advertising campaign in behalf of dairy products. This must be considered more as an

industry program than one in which processing taxes and Government assistance might be expected.

Elimination of competing products is often suggested as a way out of the difficulty. But under present conditions the question of actual restriction of imported fats such as copra and coconut oil, so as to reduce competition from foreign products, is linked up with the Philippine independence problem and tariff policies not within the scope of the Agricultural Adjustment Administration.

RESTRICTED MARKETING SUGGESTED

Two general proposals for restricted marketing have been suggested. (1) A processing tax would be levied large enough to pay substantial benefits to farmers under agreement with them for production up to but not in excess of a specified quantity. (2) The licensing of plants under which processors would be allowed to handle specified quantities of product.

IV. THE NEW POLICY

Experience in the first 6 months under the Agricultural Adjustment Act gradually demonstrated that no short cuts or makeshifts, no resort to expediency or temporizing would absolve the dairy industry from ultimate action on production adjustment in some form. Abandonment of all outright stabilization programs was found advisable. It was decided that it would be unwise to expend any more funds in advance of processing tax levies with which to buy an unlimited quantity of butter and cheese. At each and every point where attempts had been made to strengthen the leaks in the dam against the flood of uncontrolled milk there soon appeared grave weaknesses, making it plain that some hard and clear thinking and concerted action by the entire industry were necessary.

It was clear also that the fluid milk shed marketing agreements had not resulted in adequate assurance of production control and that constant friction and delay had arisen over the establishment of resale prices in the schedules. Fixing of retail prices by any Government unit in all other instances carries with it such corollaries as regulation of profit, limitation on competition, requirements of service, and regulation of plant capacity and capitalization—virtually making of the business regulated a public service monopoly. The Administration does not feel that the time has yet arrived for it to launch upon the public utility method of regulation which would be the necessary accompaniment of fixing of retail prices to distributors. Furthermore, the problem of enforcement has proved impossible without such complete regulation. The Administration feels that its primary function is obtaining increased returns to producers. At least until this objective can be accomplished, the Administration does not believe it should expend its energies on enforcement of retail prices, particularly in view of the profits of some of the distributing companies.

CONCENTRATE ON PRODUCERS' PRICES

The Administration's new dairy policy was announced early in 1934. In its revised program the Administration concentrates efforts on producers' prices, with complete abandonment of the custom of fixing distributors' prices except for some markets where producer-distributors are numerous and where a low minimum resale price

might be necessary. Also, the Administration is prepared to establish maximum resale prices wherever distributors combine to take advantage of consumers. Termination of all existing fluid milk agreements was ordered by the Secretary of Agriculture, effective February 1, and as rapidly as possible these will be replaced by new agreements conforming to the new policy.

A uniform method of establishing minimum producers' prices in each market has been determined upon. This method takes into account three things:

First, the competitive value of milk in relation to its value for uses other than as fluid milk at the outer edge of the milk shed. To this competitive value are added differentials for transportation, for quality, and for convenience of location of the farm. The prices of competing manufactured products adjacent to the milk shed are both those over a recent period and the anticipated prices in the near future.

Second, the history of prices during the predepression decade in the milk shed under consideration. This includes full consideration of price differentials of class 1 or fluid milk over butter prices, changes in hauling costs and any changes made in the market standards and requirements.

Third, the earning power index of the locality. Pay rolls serve as a good index for this purpose in many cities.

The price schedules are subject to revision with changing economic conditions.

LOCAL ADVISORY BOARDS

Local advisory boards with proper representation of all producing, distributing, and consuming interests are contemplated by the Administration's revised policy. Hitherto the milk boards created under marketing agreements were concerned largely with the administration of the mechanics of the market plan and had nothing to do with recommending prices to consumers.

No boundary lines for milk sheds are specified in the new agreements. Producers who were selling milk in a given market prior to the effective date of an agreement continue to have full privileges of the market. New producers are required to sell their milk at the surplus price for a period of not exceeding 90 days in order to qualify.

The net result of the new policy is, therefore: (1) To assure producers that their prices will be established and maintained by the aid of Federal action and agreement put into force; (2) to assure consumers that their earning power will be considered in connection with the farm price set; (3) to leave most of the distributing problems to local adjustment as much as possible; and (4) to keep fluid milk prices, insofar as the agreements are concerned, in reasonable relationship with prices of manufactured dairy products, without failing to recognize and reward the producers for maintenance of quality and frequency of supply to fluid milk requirements.

PRODUCTION CONTROL PROGRAM TAKING SHAPE

At this stage no definite and final announcement of a future national production control program has been made, but it is certain that the plan will be broad enough to provide voluntary methods of production adjustment, as each farmer wishes. The extent of the reduction to be requested of those who cooperate in the plan under

contract, the exact method of handling the allotment, and the exact rate of processing tax by means of which the reduction will be financed are shaping rapidly. Full opportunity will be given producers to take advantage of whatever combination of method is offered, and hearings and conferences with producers will precede the final decision upon the national program. Offers of cooperation and support for a reasonable and practical production adjustment program for the dairy industry have come to the Administration. These offers have been made by individuals, members of cooperatives, representatives of national cooperative milk producing federations, processors, and distributors, and various Members of the Seventy-third Congress.

At the suggestion of leaders of farm organizations and others, a proposal has been made to consult Members of Congress relative to the advisability of requesting a special fund with which to enable benefit payments to be made to dairymen under the voluntary reduction program specified in the act. This fund was planned to include beef raisers as well as dairymen in its benefits and the sum of $200,000,000 was suggested. The object of the fund was to supplement processing taxes to be imposed later. The special emergency fund was advocated because the imposition of a processing tax at a rate high enough to bring an adequate benefit fund for distribution to producers would be likely to increase the unit price of the respective commodities and possibly react unfavorably upon producers for a short period at least. This fund would be available for use to make payments to encourage cooperation in a reduction program, largely under an allotment plan as a supplement to the processing tax program of the act and not as a grant or subsidy. No exact detailed allocation of the proposed emergency fund has been undertaken, but certain Members of Congress have suggested that such an allocation be submitted to them so that the disposition of the proposed fund may be clearly outlined in advance of its introduction. Favorable opinions have been received from many Members of Congress and governors of leading dairy and beef States regarding the need for such a fund to start off the national dairy program properly.

CHAPTER 8

RICE

I. HISTORICAL AND ECONOMIC REVIEW

The rice industry of the United States has been on an export basis since the World War, when expansion of acreage increased production beyond the point of domestic consumption. This export basis has been maintained despite the substantial acreage reduction which has since taken place.

The tariff on clean rice is 2½ cents a pound; on brown rice, 1¼ cents a pound; and on cracked rice, ⅝ cent a pound. But producers of rice, as well as producers of other agricultural commodities which have tariff protection, find the tariff has little effect on price as soon as their production exceeds domestic consumption. When that point is reached, the world price becomes the domestic price.

During the period 1921–29, rough rice prices averaged about $1.10 a bushel. Prices fell to 78 cents for the 1930 season, to 48 cents for the 1931 season, and to 39 cents for the 1932 season. This rapid decline in prices was associated with the large crops of 1930 and 1931—two of the largest of the decade. These crops were due to higher-than-average yields rather than to unusually large acreage. Unfortunately, they were harvested during a period of slow demand and at a time when imports into the high-grade markets of Europe were being sharply curtailed.

Consequently, the domestic carryover grew from 81,000,000 pounds in 1930 to 116,000,000 pounds in 1931 and reached the unprecedented high total of 220,000,000 pounds in 1932. In 1933 the carryover fell back to 148,000,000 pounds.

The dangers of accumulating excessive carryover stocks are apparent. The relief afforded by keeping them off the market is but temporary and constitutes a policy which cannot be followed indefinitely.

DIFFICULTIES OF EXPORT MARKET

Recent developments throughout the world have accentuated the difficulties of the export market which confront the American rice farmer. Complication of the foreign situation by various types of governmental action, such as bounties and other forms of direct aid to producers in exporting countries, as well as duties and other trade barriers in importing countries, has reduced our rice exports. These fell from 320,000,000 pounds in 1928–29 to 128,000,000 pounds in 1932–33. Increase in our carryover stocks and lower prices naturally followed.

During the last decade (1923–33), the distribution of the average annual supply of 1,214,000,000 pounds of clean rice has been as follows: Domestic consumption, including rice for seed, 53 percent; shipments to United States possessions, 23 percent; exports, 15 per-

cent; and carryover, 9 percent. Domestic consumption and shipments to possessions have varied somewhat from year to year, but not importantly; this indicates that variations in price do not greatly affect the domestic demand.

Since 1930 there has been a marked and steady curtailment in acreage, which has brought production very close to a domestic basis. In 1933 the number of acres planted in rice was 769,000. Had it not been for a very large carryover, total supplies for the present season would have been about equal to domestic requirements. It is evident, therefore, that what is needed is not sharp acreage reduction, but rather the prevention of substantial increases.

If 1934 acreage can be kept at or below the 1933 acreage, the prospect is that prices for the 1934 crop can be maintained at 1933 levels or higher.

II. THE RICE ADJUSTMENT PROGRAM

Rice is designated in the Agricultural Adjustment Act as a basic commodity and processing taxes may be levied upon it in order to effectuate the purposes of the act for rice producers.

MARKETING AGREEMENT METHOD CHOSEN

For various reasons, however, the Agricultural Adjustment Administration has chosen to adjust the production and prices of rice through the medium of marketing agreements rather than through the combination of processing taxes and benefit payments. Among the most important of these reasons are: (1) The rice industry is comparatively small, geographically compact, and has had considerable experience with industry cooperation; (2) the milling industry appeared disposed to enter into a marketing agreement which, in the opinion of the Administration, offered more complete protection to the interests of growers than could have been brought about through making benefit payments; (3) limitations of the act made it impossible to assess a processing tax which would provide adequate funds for production control in 1934.

Consequently, the Administration negotiated marketing agreements with the California rice industry and the southern rice industry. The outstanding provisions of these agreements are:

1. The mills agree to pay such minimum prices for rough rice as may be proclaimed by the Secretary of Agriculture. (The initial prices proclaimed under the agreement were approximately parity.)
2. The millers and the Secretary agree to a minimum conversion charge for rice milling.
3. The millers agree to set aside 10 cents a barrel in the South, and an undetermined amount in California, in order to create a marketing fund which is to be used under the supervision of the Secretary for the development of markets for American-grown rice.
4. The millers' and growers' organizations agree to a plan of production control which provides for the allotment of acreage among growers on the basis of past production and an advantage in returns to cooperating growers. The mechanics of this equalization pool plan are roughly as follows: When growers deliver their rice to mills, the mills pay a fixed percentage of the Secretary's fixed price to the grower and the balance into a grower's trust fund. (In California,

the arrangement is 70 percent to the grower and 30 percent to the trust fund.) All growers who have cooperated by planting no more than their allotted acreage will participate pro rata in the ultimate distribution of the trust fund. Growers who have not participated in the production control plan and/or have planted more than their allotted acreage will not receive any share of the trust fund.

Parties to the marketing agreement covering the Southern branch of the industry are the Secretary of Agriculture and the rice millers of Arkansas, Louisiana, Texas, and Tennessee. Parties to the California agreement are the Secretary and the rice millers of California, the Rice Growers' Association of California and the Independent Rice Growers' Committee. A code of fair competition covering the southern branch of the industry is also in effect.

III. CALIFORNIA AGREEMENT AND CODE

Beginning in May 1933, a representative of several California rice mills and of the Rice Growers' Association of California discussed informally with the Administration the possibility of formulating a marketing agreement. In later negotiations he represented also the Independent Rice Growers' Committee. When the proposed agreement which he filed was considered in formal hearing August 29, attorneys for the Administration showed that it would tend to effectuate the purposes of the act. Written objections to the milling charges listed in the agreement were filed, however, by the Independent Rice Growers' Committee and the Paddy Rice Growers of California. The Paddy Rice Growers also asked for representation of their association on the crop board proposed. Both objections were withdrawn after the other signatories to the agreement agreed to a reduction in the milling charge and to representation on the crop board for the Paddy Rice Growers of California.

On September 25 the Secretary approved the California agreement, and estabilshed a temporary price of $3.60 for extra fancy Japan rice at San Francisco.

PROVISIONS OF AGREEMENT

Following is a brief outline of the California agreement as finally approved:

1. The Secretary of Agriculture fixes prices for extra fancy Japan rice at San Francisco. The marketing board of the industry then fixes prices for all other grades at definite differentials under the Secretary's prices for extra fancy.

2. Mills agree to fix a market price for clean rice which shall not vary by more than 5 percent from the prices fixed in accordance with the procedure outlined in the previous paragraph.

3. The mills agree to pay for rough rice on the basis of milled-rice prices less fixed charges for milling and freight. Mills and growers' organizations agree to the following crop-control procedure:

(*a*) Growers are given a production allotment based on their past production of rice. The total capacity allotted to producers may not exceed by more than 10 percent the figure of 3,000,000 bags of rice in any one season.

(*b*) Mills and growers' organizations agree that when rough rice is sold, the mills shall deduct 30 percent of the fixed price and the funds so obtained are diverted to a producers' trust fund. This

fund, less the expense of the administration of the crop-control program, is divided among participating producers according to their allotted quota.

4. The mills agree that, subject to the approval of the Secretary, they will formulate and enforce rules of competitive practice.

CODE NOT YET APPROVED

On October 20 there was filed with the Agricultural Adjustment Administration a proposed code of fair competition under the National Industrial Recovery Act for the California rice industry. Since provisions had been made in the California marketing agreement for the regulation of competitive practices, the code contained virtually no provisions except those pertaining to wages and hours of labor.

On November 2 the California code of fair competition, after having been redrafted to conform with the provisions of the model code of the Agricultural Adjustment Administration, was forwarded to the California rice industry for its approval, prior to hearing. As this report is made, the revised draft has not yet been returned to the Agricultural Adjustment Administration.

IV. SOUTHERN AGREEMENT AND CODE

Between May 12 and June 15, the Administration discussed informally with representatives of the Rice Millers' Association and the American Rice Growers' Association, the possibility of formulating a marketing agreement for the southern rice industry. On June 15, these representatives, comprising a committee representing both growers and millers, came to Washington with a draft agreement.

On August 12, a committee representing the southern rice millers appeared in Washington with a proposed code of fair competition. Since the code did not provide direct or adequate benefits to rice growers, the mill representatives, on request, submitted in addition to the code, a tentative marketing agreement which would influence directly the prices paid to farmers.

On August 18, at an informal hearing at Lake Charles, La., the grower organizations suggested that a processing tax be levied and benefit payments made to producers. The mills proposed, as an alternative, the marketing agreement previously discussed with officials of the Agricultural Adjustment Administration. The grower organizations indicated that they would be willing to accept the marketing agreement in lieu of benefit payments to be paid from processing taxes. After the informal hearing at Lake Charles, the committee of millers, with the cooperation of the Administration, redrafted the marketing agreement to conform to the recommendations of the various groups of the industry. The formal hearing on the southern rice agreement was held on September 5 and 6, with millers, representatives of grower organizations, warehousemen, and representatives of irrigation companies attending.

Early in September, the Agricultural Adjustment Administration decided that the southern rice agreement could be recommended for approval, except for the proposed milling charge. An audit of a number of southern rice mills was made, and as a result the mills were asked to reduce the conversion charge to 70 cents per barrel. The committee agreed to this figure.

On September 29, at a meeting of the southern rice millers in New Orleans, all but three of the mills signed the agreement. The non-signing mills, two of which were the largest in the industry, indicated their willingness to abide by the agreement, but said they preferred not to sign because of their objection to the powers given to the control committee. They requested that the Secretary license all mills. After negotiations to bring them voluntarily under the agreement had proved fruitless, the agreement and license, affecting all operating mills in Arkansas, Louisiana, Texas, and Tennessee, became effective October 16 and 17, respectively. For a short time the three southern mills which were not willing to sign the agreement operated under the license. Later, however, they signed the agreement, thus bringing 100 percent of the rice-milling capacity of the United States under marketing agreements.

PROVISIONS OF SOUTHERN AGREEMENT

Following are the most important provisions of the southern rice agreement:

1. The mills agree to pay minimum prices fixed by the Secretary to producers.
2. The mills agree to sell the out-turn from a barrel of rough rice at minimum prices determined by adding to the cost of rough rice a conversion charge of 70 cents, plus the inbound freight, plus the actual cost of container, plus the 10 cents per barrel payment into the marketing fund outlined below.
3. The mills agree to pay into a marketing fund 10 cents for every barrel of rough rice milled. This fund is to be expended by the control committee of the industry, subject to the approval of the Secretary, in financing export sales and for other activities which will increase the consumption of American-grown rice.
4. The mills agree to cooperate with the Agricultural Adjustment Administration in the operation of a crop control plan when such a plan is agreed upon between the producers and the Administration. The crop-control plan for the southern rice industry in 1934 is now in the process of being worked out. The plan is to amend the agreement by appropriate provisions to establish a two-level price. Millers will still be obliged to pay the Secretary's full price, but only 60 percent of this will be paid to the producers at the time of sale. The remaining 40 percent will go into a trust fund to be paid to producers who cooperate in the crop-control plan.

Due to the short crop of 1933, the 1934 acreage will need only moderate reduction. The long-range plan therefore will stress acreage control rather than acreage reduction, although some reduction in 1934 acreage is desirable to offset carryover stocks. Producers will be assigned acreage and production according to their history during the base years. The allotment of each participating grower will be determined by his average production during his base period. The plan will be entirely voluntary, but the grower who does not participate will receive no part of the 40 percent deduction made at the time of sale. It is thought that this difference in return will persuade most growers to cooperate.

As this report is made every effort is being made to rush the completion of the program.

SOUTHERN RICE CODE NOW IN EFFECT

The proposed southern rice industry code was filed with the Adjustment Administration on August 7, and informally discussed by a committee representing the southern rice industry and officials of the Administration. Discussion was directed more to the necessity for an accompanying marketing agreement than to the specific pro-

visions of the code. Minor changes in the code were made and it was discussed on September 5 in a formal hearing in connection with the marketing agreement. On November 20 the code was approved by the Secretary of Agriculture. On November 21 it was signed by the President and made effective December 1.

As a result of the rice marketing agreements, domestic prices already have been raised to levels much above those prevailing in world markets.

V. PLANS FOR THE FUTURE

One of the major problems of the present season is to dispose of some 60,000,000 pounds of accumulated stocks in order to prevent the 1934 carryover from endangering prices in the coming season. A fund derived from the sums which millers have agreed to set aside on each barrel of rice milled will be used toward solving this marketing problem.

Measures for crop control in California are in the hands of the crop-control board set up under the California marketing agreement. No crop-control program will be instituted there unless estimates of the board indicate that more than 3,000,000 bags of rice will be produced during the season.

In the South a reduction of 20 percent in the past 5-year average acreage of 775,000 acres of rice in Louisiana, Arkansas, and Texas is necessary if the rice farmers of those States hope to protect the $27,000,000 which is the value of their rice crop, the studies of the Agricultural Adjustment Administration show.

Plans for the rice production control program in these States have been discussed with growers and buyers in the field, preparatory to submitting them for final approval.

Approximately 10,000 southern rice growers would be affected by the plan and it is the consensus of opinion, as brought out in mass meetings and resolutions submitted to the Administration, that farmers are anxious to make the adjustment in their acreage necessary to secure the higher level of prices.

AMOUNT OF REDUCTION NEEDED

In order to reduce their State acreage to comply with the proposed adjustment program, Louisiana growers should not plant more than 351,000 acres as compared to their 5-year average of 439,000 acres.

Texas should not plant more than 138,000 acres as compared to 172,000 and Arkansas not more than 131,000 acres as compared with the 5-year average of 164,000. These allotments to States have been determined from official crop reports from the Department of Agriculture. All States stand on exactly the same footing insofar as the total distribution of the 5-year average acreage is concerned.

It is anticipated that acreage allotments will be made to individual growers by committees of the rice production control associations.

The growers in Louisiana and Arkansas, by formal requests and resolutions, have requested that the acreage allotted to the States be prorated among individual growers on the basis of each grower's 5-year production from 1929 to 1933, inclusive.

In Texas, growers have decided that the crop years 1930 to 1933 represent a fairer basis for allotment to the individual. These differences between the allotments of the total acreage of each State among individuals do not in any way change the balance worked out among the three States.

The individual growers in Louisiana and Arkansas can determine the approximate amount of their 1934 acreage allotment by computing their 5-year average acreage and reducing it by 20 percent. The Texas grower computes his 3-year average acreage and reduces this by 22 percent.

CHAPTER 9

SPECIAL CROPS

The activities of the Agricultural Adjustment Administration with respect to special crops have necessarily been limited to the consideration of marketing agreements between the Secretary of Agriculture and associations of producers, processors, and other handlers engaged in the marketing of various nonbasic agricultural commodities. The Agricultural Adjustment Act provides no specific authority for dealing directly with the problem of production control in the case of those agricultural products not designated in the act as basic commodities.

With a view to increasing the returns of producers of many nonbasic commodities a number of marketing agreements have been entered into and a great many more are under consideration for application during the 1934 season. Marketing agreements relating to the canning of cling peaches in California; the distribution of walnuts from California, Oregon, and Washington; the shipping of fresh deciduous tree fruits, except apples, from California; the shipping of fruits from the Northwestern States; and the shipping of Tokay grapes from California were completed and in operation during the period covered by this report. In addition, 3 citrus fruit marketing agreements were completed and placed in operation, 1 covering shipments from California and Arizona, 1 covering shipments from Texas and 1 covering shipments from Florida. These agreements were placed in operation in December 1933. An agreement has also been prepared for the canned olive industry of California, and is now in operation. An agreement covering the peanut-milling industry was placed in effect in January 1934.

At the close of the period covered by this report, hearings had been held and agreements were in process of completion for the marketing of fresh vegetables and melons from California and Arizona, strawberries from Florida, fresh asparagus from California, and dates from California. Consideration had been given to the development of marketing agreements for the principal canning vegetable crops, dry beans, raisins, and potatoes.

Under the authority transferred to the Secretary of Agriculture by Executive order of June 26, 1933, the Agricultural Adjustment Administration has also participated in the preparation of codes of fair competition for various groups of processors and handlers of fruits and vegetables, poultry and eggs, peanuts, and other special commodities.

A brief statement covering the various activities of the Administration in the development of marketing agreements and codes of fair competition follows:

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I. MARKETING AGREEMENTS AND LICENSES

CANNED CLING PEACHES IN CALIFORNIA

The first marketing agreement and license affecting the crops mentioned above were those for the canning of cling peaches in the State of California. Conditions in this industry had been unsatisfactory for several seasons and prices paid to growers of cling peaches for canning had been at a low level. In 1932 less than one half of the crop of peaches was harvested and the price paid for this proportion of the crop was approximately $6.50 per ton, which represented but little more than the cost of harvesting the peaches.

An analysis of the peach-canning situation indicated that with a limitation of the quantity of peaches canned to a volume which could be moved into consumption at a reasonable price, it would be possible for canners to pay growers a much more satisfactory price for peaches than that which prevailed in any recent year. Estimates of the crop indicated that sufficient peaches were available to pack 12,500,000 to 13,000,000 cases. Available information indicated that such a pack would result in a price for the canned product which would in all probability mean a very low price to the grower for his raw fruit. To overcome this situation an agreement was effected and a license issued whereby the pack was limited to 10,000,000 cases and each canner was given an allotment to pack a certain quantity of fruit based upon his previous sales record, potential sales ability, and outstanding contractual commitments.

While some canners objected to the restrictions placed upon them with reference to the quantity of peaches which they were allowed to pack, it is now fully evident that the marketing agreement including the limitation and allocation of the pack has operated to the advantage of the peach growers and to the advantage of the peach-canning industry as a whole. Under the prices established in the agreement the margin between canners' operating costs and the minimum prices to the trade was kept at a very low level. It is expected, however, that the limitation of the pack will reduce or eliminate inventory losses on the carryover of canned peaches into the 1934 season.

The agreement provided that canners would pay growers $20 per ton for no. 1 peaches used for canning, and that in addition they would contribute to a surplus control fund which was used to purchase the surplus no. 1 peaches above the quantity required to pack 10,000,000 cases. Prices for sale by canners to wholesalers were set at $1.35 to $1.50 per case. Growers whose peaches were not canned received $15 per ton for their peaches, the difference between this price and that paid for peaches canned representing approximately the saving in harvesting cost on the peaches which were not harvested. By means of the agreement, therefore, the peach growers not only received approximately three times as much per ton for the peaches sold for canning as was received in 1932, but they also received a comparable price for the no. 1 peaches which were not canned whereas in 1932 growers received no payment for surplus peaches. Total returns to growers in 1933 amounted to $5,000.000 as compared with $906,000 in 1932.

SHIPPING AGREEMENTS FOR FRESH FRUITS AND VEGETABLES

For several years the cooperative and private shippers of fresh fruits and vegetables have realized that excessive market supplies during certain portions of the season resulted in prices so low that in many cases they did not cover the costs involved in harvesting and marketing the products. Recognition of these facts has resulted in many attempts to regulate shipments with a view to maintaining prices and improving income to growers. These attempts, however, have usually been thwarted by reason of the fact that some portion of the shippers refused to cooperate and thereby nullified the entire program. The authority contained in the Agricultural Adjustment Act with reference to marketing agreements and the licensing of handlers of agricultural products has made it possible to develop a more effective approach to this problem by requiring all shippers or handlers to cooperate in the interest of the industry as a whole.

The conditions under which perishable commodities must be marketed make it impossible to prepare agreements which will cover the entire scope of necessary operations. These agreements and licenses, therefore, provide for an administrative committee and also for a proration committee which carries out the actual work of determining periodically the supplies available for market and the supplies which can probably be absorbed by the market without diminishing the price. If the available supplies exceed the quantity which can be sold at a certain price, then the proration committee establishes a percentage allocation and makes allotments to each shipper. Each shipper thereafter is bound by the terms of the agreement and license equitably to allot his share among the growers for whom he markets the commodity.

CALIFORNIA DECIDUOUS FRUIT

The deciduous fruit shippers of California were the first group to present a marketing agreement of this type to the Administration. This agreement and its accompanying license were for the purpose of limiting supplies shipped to market at such times as it appeared that excess supplies would have a detrimental effect on producers' returns. Considerable economic research has been carried out to show the probable effects of such limitation, and it is known that returns may be greatly enhanced by a careful regulation of the movement to market.

Fruits covered by this agreement and license include apricots, cherries, plums, prunes, pears, peaches, and other tree fruits, except apples. No adequate opportunity was presented this season for thoroughly testing the effectiveness of the agreement. While the agreement was being developed, a heat wave in California greatly reduced market supplies of fruit. However, the agreement had a stabilizing effect upon the market and reports received from the trade indicate a general satisfaction. Growers are well represented on the proration committee, for at least 3 out of 7 must be growers or representatives of growers' cooperative organizations.

CALIFORNIA TOKAY GRAPES

A similar agreement was perfected for the marketing of Tokay grapes from California. This agreement and its accompanying license were put into effect during the middle of the marketing

season, and were instrumental in increasing net returns to growers from 8 to 9 cents per package, prevailing at the time the agreement went into effect, to approximately 20 cents per package. Both producers and shippers have indicated their approval of the effects of this agreement and it is expected that it will be utilized again in 1934.

NORTHWEST TREE FRUITS

Another important fruit-shipping agreement is that for the shipment of fresh fruits from the Northwestern States (Washington, Oregon, Idaho, and Montana). This agreement represents the first effort to obtain the full cooperation of the entire northwestern fruit industry. It aims at the development of a coordinated marketing program for the fruit in this section of the country.

The major features of the agreement and license provide for a limited proration of the volume of fruit moved to market, the control of the quantity of fruit moved to the various auction markets, a restriction of the fruit shipped to market by grade and size and the establishment of minimum prices f.o.b. shipping point.

In the operation of this agreement, primary emphasis has been placed upon the minimum price provisions and upon the control of the supply offered for sale on the various auction markets. It appears that a considerable amount of stability has been developed in the marketing machinery, through the minimum price provisions. The price levels, however, were too low to result in any considerable improvement in the position of producers up to the 1st of December.

One of the unexpected problems which has arisen under the agreement has been the willingness of many of the producers to sell their fruit to handlers at prices much below those which should have prevailed under the established minimum prices. This condition, it is believed, is directly attributable to the fact that during the past several seasons price levels have declined steadily from the opening quotations, and as a consequence early sales netted more money to the producers than the later ones. It is believed that this matter will be self-regulating, and that a good start has been made to improve conditions appreciably among the fruit growers of the Northwest during 1934.

CITRUS INDUSTRY

Three marketing agreements covering the citrus industry have been developed, 1 for California-Arizona, 1 for Texas, and 1 for Florida. Each of these agreements provides for the cooperation of the different areas in the establishment of a national stabilization plan for the citrus industry. These agreements were put into effect about the middle of December, and they are strongly supported by cooperative organizations and shippers handling a very large proportion of the citrus fruit from the three important producing areas. Benefits of these agreements will accrue directly to some 35,000 citrus growers in the various areas.

FRESH VEGETABLES AND MELONS

Hearings have been held on an agreement covering the marketing of fresh vegetables and melons from California and Arizona. During 1932 these two States shipped in interstate commerce 102,000 carloads of fresh vegetables. This figure represents 44 percent of the total

car-lot movement of 234,500 cars for the United States as a whole. The fresh vegetable shipments from California and Arizona likewise constitute an important percentage of the entire United States car-lot movement of fresh fruits and vegetables. Because of the size of the industry, its geographical distribution, and the number of commodities involved, the agreement is in reality a number of commodity agreements placed together.

CALIFORNIA ASPARAGUS

Another agreement is being completed for the growers and shippers of fresh California asparagus. The distinct need of some means of stabilizing marketing conditions for this industry is indicated by the fact that during the spring of 1933 prices f.o.b. shipping points were 61 percent below parity. Since the price of fresh asparagus is largely determined by the supply shipped to market the control of shipments at point of origin provides the best means of increasing producers' returns. Not only are prices raised thereby, but large savings are possible in freight, refrigeration, and marketing costs. This agreement and its accompanying license are expected to be effective in ample time for the 1934 shipping season.

ENGLISH WALNUTS

The production of English walnuts in the United States is concentrated largely in California, though smaller quantities are produced in Oregon and Washington. In the past this product has been sold primarily in the shell, only the culls being shelled. Increased production and a declining demand during recent years have made it impossible to dispose of the crop without a drastic decline in prices to growers. This situation has resulted in spite of the fact that about 90 percent of the crop is marketed by one large cooperative which has used intensive methods of merchandising and advertising.

At the beginning of the 1933 season this industry was confronted with the largest supply in its history, consisting in part of a carry-over of nearly 50 percent of the 1932 crop. To meet this situation, which threatened disaster to the growers, a marketing agreement was submitted to the Administration by the cooperatives of California and the Northwest. This agreement has been approved by the Administration and signed by nearly all the walnut packers, and is now in operation.

The principal provision of this agreement relates to the limitation of the supply of walnuts to be sold in the shell in the domestic and Canadian markets. The agreement authorizes a control board to determine the percentage of the available supply which may be sold in the shell in these markets. This percentage is applicable to the individual supplies of all packers. The balance of the supply is turned over to the control board to be sold as shelled walnuts or to be exported. The agreement also provides for both maximum and minimum packer sales prices. Minimum prices to producers are not provided in this agreement, since more than 90 percent of the crop is sold by cooperatives which operate on a pooling basis.

While it is impossible to determine accurately the net effect which this agreement will have on prices to growers, the sponsors of the agreement estimate that it will add nearly $2,000,000 to the purchasing power of the walnut growers.

CALIFORNIA CANNED RIPE OLIVES

The olive industry of California is primarily dependent upon the domestic market for canned ripe olives, which is supplied entirely by domestic production. Increased production of olives in California together with a decline in demand during recent years has necessitated that an increasing percentage of the crop be processed into olive oil to be sold in competition with the imported oil. This has tended to reduce the price of ripe olives to their value for oil purposes.

The marketing agreement for canned ripe olives limits the pack to a quantity that can be sold at reasonable prices and provides a plan of proration among growers which aims to give all growers an equitable share in supplying olives for canning purposes. The agreement provides for minimum prices to growers and minimum resale prices by canners. Minimum resale prices are necessary in this instance to prevent price cutting by canners, particularly since a large percentage of the pack is sold by grower canners and cooperatives which do not purchase their fruit at a fixed price.

This is a continuous agreement and it is felt that it will result in material benefit to the growers of olives and to the industry in general.

INCREASE IN PRICES TO GROWERS OF CANNING CROPS

In August 1933 the Agricultural Adjustment Administration requested canners to increase their prices to the growers of certain canning crops above those stated in their contracts with the growers. Most of these contracts had been made early in the year while economic and financial conditions were extremely unsettled. Canners throughout the country cooperated in making these adjustments by raising prices of canning corn, tomatoes, beets, lima beans, and cabbage for kraut.

Prices to the growers of these crops were increased from 20 to 37½ percent above those originally stated in early contracts. As a result of this action, the purchasing power of the growers of canning crops was increased at least some $3,000,000. The growers of vegetables for canning and vegetable canners have indicated a strong interest in the development of marketing agreements for these products in 1934 with a view to obtaining higher prices for growers and bringing about some control over the volume of canned vegetables packed.

PEANUT INDUSTRY

A marketing agreement and an accompanying license covering the peanut milling industry were placed in effect by the Secretary of Agriculture on January 27, 1934. The agreement provides for the payment of minimum prices to growers, and adherence to standard United States grades is made mandatory. Control of production is the principal problem in this industry and one of the main responsibilities of the control board, composed of 5 growers and 5 peanut millers, is to investigate this problem and file a report on it to the Secretary.

OTHER CROPS

In addition, proposals for a great many agreements covering special commodities have been considered by the Administration. Some of these may be developed with a view to improving the income of producers of special crops in 1934. A number of agreements were sub-

mitted too late for completion in time to aid in the marketing of the 1933 crops. Such agreements were proposed for prunes, avocados, grapefruit for canning, pimentos for canning, alfalfa hay in California, olive oil, raisins, dry beans, sour cherries, and for various regional groups of florists and nurserymen.

Poultry and eggs have presented a very difficult problem in relation to marketing agreements, due to the widespread nature of the industry and the lack of organization on the part of producers and other handlers. There are over 5,000,000 farmers producing poultry and many thousands of dealers handling poultry. The products of the industry move throughout the country and in many cases are sold by direct methods. At present consideration is being given to an agreement by duckling producers on Long Island and in Massachusetts.

A list of the marketing agreements affecting special crops made effective in 1933 is given in table 18.

II. CODES OF FAIR COMPETITION

The Agricultural Adjustment Administration has had under consideration a number of codes of fair competition under the National Industrial Recovery Act for various groups of processors and handlers of special agricultural commodities. The most important are those for the shippers and wholesale distributors of fruits and vegetables; for the shippers, packers, and wholesale distributors of poultry and eggs; for the baby chick hatchery industry; for the raw peanut milling industry; for the paper-shell pecan distributors; for the pecan shellers; and for the imported date packing industry.

Codes have been approved and signed by the President for the imported date packing industry, the baby chick hatchery industry, and the raw peanut milling industry.

The proposed code for the paper-shell pecan distributors met considerable opposition at the public hearing and the industry has been requested to reconsider the matter and present to the Administration a code having more complete support from the various elements in the industry. The code for the pecan-shelling industry is in the process of redrafting.

Because of the large number of members in the wholesale fresh fruit and vegetable distributing industry and in the egg and poultry industry, and because of the lack of anything like complete organization among the members of these industries, progress has been slow in developing codes for these industries.

There have also been submitted for consideration a large number of supplementary codes relating to various segments of the egg and poultry industry, to florists, and to various groups of fresh fruit and vegetable shippers. Consideration of these supplementary codes has been delayed somewhat pending completion of codes on a national basis for these industries.

All of the above codes are designed primarily to eliminate certain unfair trade practices which have developed in these industries. Two important difficulties have been encountered in the formulation of codes satisfactory to most of the groups referred to above. Many of the groups have resisted the proposals made with reference to hours and wages, a matter over which the Agricultural Adjustment Administration has no control. The other principal difficulty has been caused by the fact that many of these groups are poorly organized,

and embrace a very large number of small individual business units. Representatives of some of these groups have expressed grave doubt about the practicability of effective administration of their codes in spite of the disposition of the majority of the industry to cooperate.

TABLE 18.—*Market agreements affecting special crops and made effective in 1933*

Commodity and region involved	Effective date	Unit	Volume included under agreement	United States volume	Percent
	1933				
Cling peaches canned in California	Aug. 17	Cases	[1] 10,000,000	10,000,000	100.0
California fresh deciduous tree fruits [2]	Sept. 2	Cars	[3] 23,776	130,934	56.0
Northwest [4] fresh deciduous tree fruits	Oct. 14	do	[5] 49,077		
California tokay grapes	Sept. 30	do	3,982		(6)
Walnuts grown in California, Oregon, and Washington.	Oct. 9	Tons	43,900	43,900	100.0
Oranges and grapefruit:					
California and Arizona	Dec. 14	Cars	57,097		
Florida (including truck movement)	do	do	52,093		
Texas	Dec. 26	do	2,781		
Total		do	111,971	112,320	99.7
California ripe olives used for canning	Dec. 13	Tons	12,000	12,000	100.0
Canning Tomatoes [7]	August	do	957,050	957,050	100.0
Corn [7]	do	do	137,530	137,530	100.0
Lima beans [7]	do	do	7,790	7,790	100.0
Beets [7]	September	do	18,750	18,750	100.0
Cabbage for kraut [7]	do	do	78,530	78,530	100.0

[1] Basis no. 2½ cans. Actual pack exceeded this slightly; the exact amount has not yet been determined.
[2] Except apples. (Agreement was not consummated early enough to be operative in 1933.)
[3] Includes apricots, cherries, peaches, pears, plums, and fresh prunes for 1933.
[4] Washington, Oregon, Idaho, and Montana.
[5] Total of cherries, peaches, pears, plums, and fresh prunes shipped in 1933 and apples in 1932–33.
[6] Represents 25 percent of table grapes shipped from California. United States table grapes not listed separately.
[7] At the request of the Agricultural Adjustment Administration, the canning industry agreed to voluntary price increases to growers. (No licenses issued.)

Source of data: Compiled from records of the Agricultural Adjustment Administration and reports issued by the Bureau of Agricultural Economics of the U.S. Department of Agriculture. (All data subject to minor revision.)

CHAPTER 10

SUGAR

Sugarcane and sugar beets were not designated as basic agricultural commodities in the Agricultural Adjustment Act. Benefits to producers of these commodities, therefore, could be secured only under section 8 of the act which provides for marketing agreements for any agricultural commodity.

In the spring of 1933, when the act was passed, it appeared that returns to domestic producers of beets and cane would be relatively attractive. For example, a prospective return of about $5.20 a ton was indicated for continental beet growers compared with the "fair exchange value" of approximately $5.50 per ton. Furthermore, since the United States is on an import basis for sugar, it was contemplated that sugar prices would increase as a result of the monetary policy of the Administration. This increase actually did take place and duty-paid sugar (raw basis) advanced from the low point of 2.65 cents per pound in February to an average monthly price of approximately 3.4 cents per pound for the period April to September. Continental beet growers benefited from this rise in sugar prices since their contracts with the factories are of a participating character.

Despite the fairly satisfactory prices for beets and cane which prevailed on the 1932-33 crop, it was clear that the prospective large crop of 1933 would exert a powerful bearish influence on prices during 1933–34.

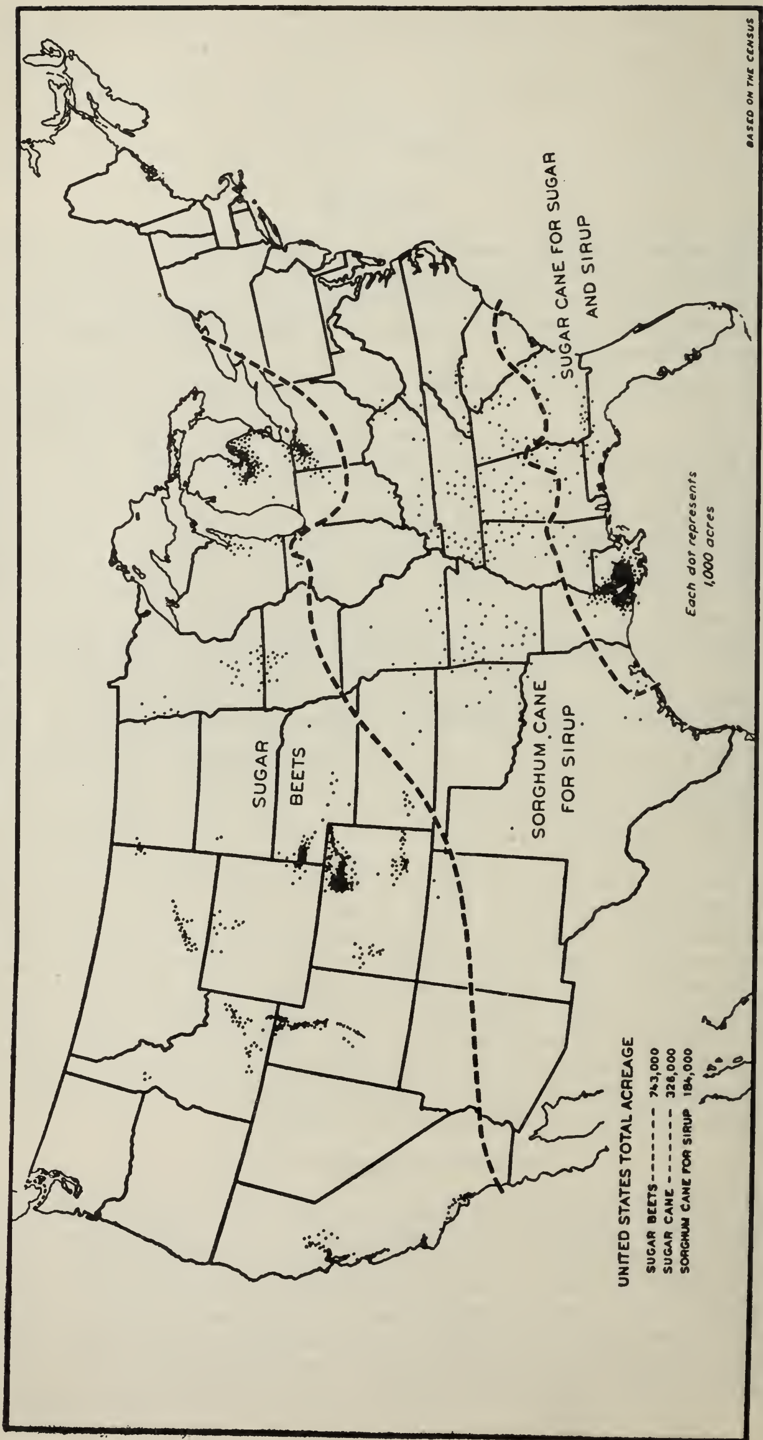
In the Philippine Islands, where production had increased successively for a number of years, a record cane crop was in prospect. Continental beet growers planted by far the largest acreage which has ever been devoted to beets in this country. It was anticipated that the Puerto Rican crop which had suffered hurricane damage the previous year would be materially increased in the 1933–34 season.

Not only did this situation forecast a low level of sugar prices, but it involved a drastic reduction in probable shipments from Cuba to this country. In anticipation of price depression and disorganized marketing conditions during 1933–34, spokesmen for various branches of the sugar industry early in 1933 requested steps under section 8 of the act to stabilize conditions in the industry.

PROPOSED AGREEMENT DRAFTED

Dr. John Lee Coulter, a member of the United States Tariff Commission, was selected as special adviser to the Agricultural Adjustment Administration. An informal conference of the sugar industry was called on June 27 and a committee representing the various producing areas and the processors was selected by the industry to draft a sugar agreement which would attempt to establish a balance between supply and consumption. A tentative agreement was completed on July 19 and public hearings were held on August 10 and 11.

Chart 23.—Sugar Crops—Acreage, 1924



On August 29 further hearings were held on an amended sugar quota agreement, as well as on marketing agreements and codes of fair competition for various branches of the sugar trade.

On September 25 the proposed sugar agreement was signed by representatives of the various branches of the industry of the United States (with certain reservations by the continental cane sugar producers) and submitted to the Secretary of Agriculture for final action.

The principal provisions of the sugar agreement were as follows:

(1) Market quotas of both raw and refined beet and cane sugar, as well as the direct consumption sugars, were established for all the producing areas which supply the United States market.

(2) It was agreed that no raw sugar would be bought or sold except at the approximate full-duty parity above the world price of raw sugar, as determined by a sugar stabilization board.

(3) It was agreed that any sugar produced in excess of quotas and any quota supply in excess of consumption should be retained in the respective producing areas as segregated reserves to be released by the stabilization board when and if needed for consumption.

Generally speaking, prospective benefits to producers were contingent upon increases in price or maintenance of the then existing price level. In the case of the continental beet growers, the contracts between the growers and the processors for the forward years of the life of the agreement were subject to approval by the Secretary of Agriculture. For the current crop, which was then about to be marketed, this provision was inserted:

> In consideration of the benefits which will accrue to the beet sugar producers through the operation of this agreement and supplementary agreements, including distribution and marketing, it is hereby agreed that existing inequalities, if any, in contracts now in force between beet growers and beet sugar producers shall be adjusted and that an equitable division of such benefits shall be made with the beet growers under the supervision of and with the approval of the Secretary; and the determination of the Secretary in adjusting the inequalities and benefits shall be final.

WHY AGREEMENT WAS UNSATISFACTORY

The stabilization agreement was unsatisfactory for the following reasons:

1. With the exception of the clauses applying to the continental beet growers referred to above, there was no provision for benefits to farmers except through the enhancement of price. On the other hand, any price increase which might result from the operations of the agreement would have increased the aggregate profits of processors in an amount equal to or exceeding that which accrued to producers.
2. The anticipated aggregate benefit to farmers growing sugarcane or beets in the United States, if the agreement were effective, was relatively small in relation to the total aggregate cost to consumers.
3. The quotas established in the agreement were in excess of the probable consumption.
4. No effective control of production was contemplated.
5. The Government's ability to protect the interests of consumers was virtually limited to the President's power to terminate the whole agreement.

Therefore, if the agreement were to operate effectively and raise the price of sugar, an insufficient proportion of such price advance would accrue to the sugarcane and beet farmers, while on the other

hand if the agreement proved to be ineffective in operation, as appeared likely, burdensome surplus stocks of sugar would be accumulated under the supervision and with the responsibility of the Agricultural Adjustment Administration.

The Secretary of Agriculture announced on October 9, after conference with the President, that—

> No action on the proposed sugar marketing agreement is practicable at this time because of changes in conditions, such as uncertainties in Cuban production and because of difficulties of operation disclosed by further study of the proposed agreement.

WOULD HAVE HELPED PROCESSORS RATHER THAN FARMERS

The Secretary stated further that the agreement seemed to him "to emphasize unduly the interests of processors rather than the income of farmers" and that "the Government should not under agreements of this kind undertake to relieve processors, refiners, and others of provisions of the antitrust laws unless definite protection is provided for consumers with greater assurance of benefits for farmers."

Immediately after the disapproval of the sugar agreement, the Administration examined various alternative procedures for securing the benefits of the act for domestic cane and beet growers. Although the desirability of establishing market quotas and regulating competition was obvious, the fact nevertheless remained that the first obligation of the Agricultural Adjustment Administration was to farmers. No agreement yet proposed takes this primary obligation fully into account. Consequently, the Administration feels that it can proceed with confidence in its ability to secure benefits to farmers only if sugar beets and cane are included as basic commodities in the act.

Having established a definite basis for limiting acreage and making benefit payments, if such action proves necessary, the Administration will be in a position to entertain and discuss with the industry such marketing agreements as appear to benefit producers without undue prejudice to consumers.

With these and other important objectives, President Roosevelt on February 8, after the foregoing was written, sent the following message to Congress on the subject of sugar:

> *To the Congress:*
>
> Steadily increasing sugar production in the continental United States and in insular regions has created a price and marketing situation prejudicial to virtually everyone interested. Farmers in many areas are threatened with low prices for their beets and cane, and Cuban purchases of our goods have dwindled steadily as her shipments of sugar to this country have declined.
>
> There is a school of thought which believes that sugar ought to be on the free list. This belief is based on the high cost of sugar to the American consuming public.
>
> The annual gross value of the sugar crop to American beet and cane growers is approximately $60,000,000. Those who believe in the free importation of sugar say that the 2 cents a pound tariff is levied mostly to protect this $60,000,000 crop and that it costs our consuming public every year more than $200,000,000 to afford this protection.
>
> I do not at this time recommend placing sugar on the free list. I feel that we ought first to try out a system of quotas with the three-fold object of keeping down the price of sugar to consumers, of providing for the retention of beet and cane farming within our continental limits, and also to provide against further expansion of this necessarily expensive industry.

Consumers have not benefited from the disorganized state of sugar production here and in the insular regions. Both the import tariff and cost of distribution, which together account for the major portion of the consumers' price for sugar, have remained relatively constant during the past 3 years.

This situation clearly calls for remedial action. I believe that we can increase the returns to our own farmers, contribute to the economic rehabilitation of Cuba, provide adequate quotas for the Philippines, Hawaii, Puerto Rico, and the Virgin Islands, and at the same time prevent higher prices to our own consumers.

The problem is difficult but can be solved if it is met squarely and if small temporary gains are sacrificed to ultimate general advantage.

The objective may be attained most readily through amendment of existing legislation. The Agricultural Adjustment Act should be amended to make sugar beets and sugarcane basic agricultural commodities. It then will be possible to collect a processing tax on sugar, the proceeds of which will be used to compensate farmers for holding their production to the quota level. A tax of less than one half cent per pound would provide sufficient funds.

Consumers need not and should not bear this tax. It is already within the Executive power to reduce the sugar tariff by an amount equal to the tax. In order to make certain that American consumers shall not bear an increased price due to this tax, Congress should provide that the rate of the processing tax shall in no event exceed the amount by which the tariff on sugar is reduced below the present rate of import duty.

By further amendment to the Agricultural Adjustment Act, the Secretary of Agriculture should be given authority to license refiners, importers, and handlers to buy and sell sugar from the various producing areas only in the proportion which recent marketings of such areas bear to total United States consumption. The average marketings of the past 3 years provide on the whole an equitable base, but the base period should be flexible enough to allow slight adjustments as between certain producing areas.

The use of such a base would allow approximately the following preliminary and temporary quotas:

	Short tons
Continental beets	1, 450, 000
Louisiana and Florida	260, 000
Hawaii	935, 000
Puerto Rico	821, 000
Philippine Islands	1, 037, 000
Cuba	1, 944, 000
Virgin Islands	5, 000
Total	6, 452, 000

The application of such quotas would immediately adjust market supplies to consumption, and would provide a basis for reduction of production to the needs of the United States market.

Furthermore, in the negotiations for a new treaty between the United States and Cuba to replace the existing Commercial Convention, which negotiations are to be resumed immediately, favorable consideration will be given to an increase in the existing preferential on Cuban sugars, to an extent compatible with the joint interests of the two countries.

In addition to action made possible by such legislative and treaty changes, the Secretary of Agriculture already has authority to enter into codes and marketing agreements with manufacturers which would permit savings in manufacturing and distributing costs. If any agreements or codes are entered into, they should be in such form as to assure that producers and consumers share in the resulting savings.

Franklin D. Roosevelt.

The White House,
February 8, 1934.

These recommendations, worked out in cooperation with the State Department and the Agricultural Adjustment Administration, met the objections to the marketing agreement plan which originally was proposed, and provided the basis for a new and improved sugar program.

CHAPTER 11

BEEF CATTLE AND SHEEP

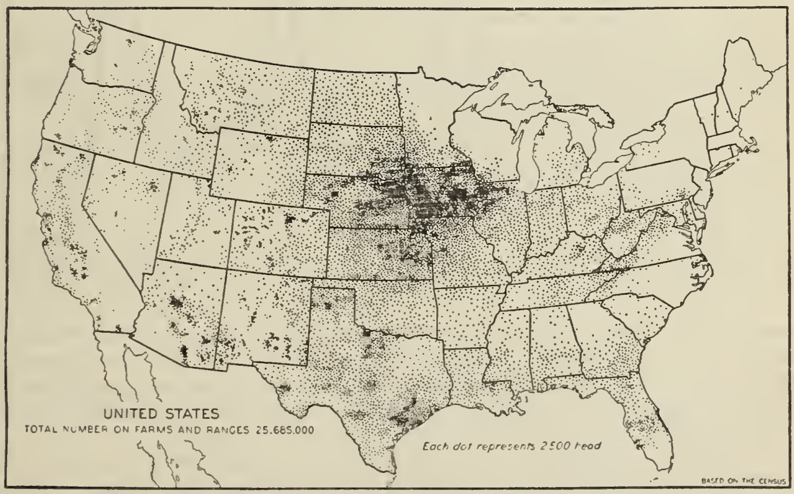
I. BEEF CATTLE

Although beef cattle raising represents one of the major agricultural industries in the United States and is a potent factor in farm income in the Range States and the Corn Belt, beef cattle were not included as a basic commodity under the Agricultural Adjustment Act.

Beef was omitted from the basic commodity list at the request of organizations representing the industry. The condition of the producers grew steadily worse during the summer and fall of 1933, however, and farmers and ranchers modified their position somewhat. On November 9 at their solicitation a special section within the Agricultural Adjustment Administration was established for beef cattle and sheep.

Of the 65,000,000 cattle in the United States, nearly 34,000,000 are classed as milk animals and more than 28,000,000 as other than milk animals, which is a broad classification of beef cattle. The cattle

Chart 24.—Beef Cattle on Farms and Ranges, January 1, 1925 (Excluding Calves and Bulls)



population has been increasing rapidly since 1928. The total number on farms on October 1, 1933, was estimated at 1,500,000 head larger than on the corresponding date a year earlier.

Federally inspected slaughter of cattle during the first 9 months of 1933, totaling 6,296,000 head, was nearly 10 percent larger than in

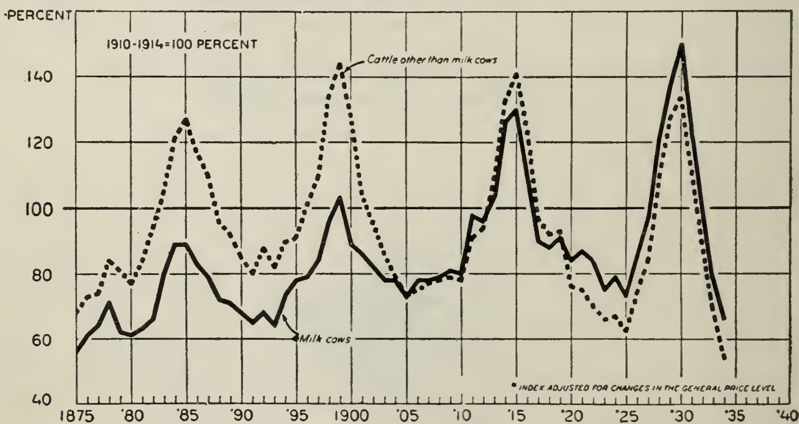
the corresponding period of 1932 and was slightly larger than in the same months of 1931. The number of calves slaughtered also increased, the total for 9 months being 7 percent larger than a year earlier. The large slaughter of cattle and calves in 1933 undoubtedly represents the upswing in cattle slaughter which would be expected to result from the increase in cattle numbers which began in 1928. Under the normal operation of the beef cattle cycle, this increase would continue for several years.

DOWNWARD TREND OF PRICES

Heavy cattle slaughter and supplies of beef available for consumption have been coming at a time when consumer purchasing power is still at a low level. As a result, the average price of cattle slaughtered under inspection from January to September 1933 was $4.27 per hundredweight, compared with $5.16 for the corresponding months in 1932 and with $6.48 in that period in 1931.

The unfavorable feed situation in 1933 caused the liquidation of a larger number of cattle than otherwise would have been expected from the large supplies now on farms. This fact has tended to depress cattle prices still more. Market prices of grass cattle of all kinds have been very low and prices for some kinds were nearly the lowest on record. At the same time transportation and marketing costs relative to cattle prices have been near the highest on record, which makes the return to producers even lower than indicated by the market prices.

Chart 25.—Adjusted Value Per Head of Milk Cows and Cattle Other Than Milk Cows, 1875 to 1934



Per capita consumption of beef in 1932 was only 47.4 pounds. For 1933 the amount is estimated at about 50 pounds per capita. These figures show that the amount marketed was relatively low and explain why beef prices did not suffer at first as much as other prices. In 1926, the peak year in the previous beef-production cycle, the consumption figure was 13 pounds greater than for the year just passed. In cattle numbers this difference amounts to 3,500,000 head of cattle per year. Cattle men need to avoid a return to that previous peak in marketings.

Imports of beef and live cattle are relatively small, amounting to a live equivalent of only 223,000 head. Exports of beef have been on a decreasing scale since 1918. The amount of beef exported during the first 11 months of 1933 is reported as less than 15,000,000 pounds, which is the live equivalent of 27,000 head.

CATTLE PRODUCERS MEET

At Chicago on December 6 and 7, 1933, representatives of the cattle producers met with executives of the Agricultural Adjustment Administration to discuss the situation within the industry in relation to adjustment policies. Resolutions were adopted which were approximately as follows:

1. That a packers' marketing agreement be executed promptly.
2. That large purchases of canner cattle be made at once by the Federal Government.
3. That duties be increased on imported canned meats.

In respect to any action under marketing agreements, it may be stated that beef could be included in such an agreement without amending the act, inasmuch as the marketing agreement sections of the act do not limit operations to the basic commodities. Thus far, however, it has not been possible to draft a marketing agreement satisfactory to both the packers and the Administration.

As to the second recommendation, steps in this direction already have been taken. The Federal Surplus Relief Corporation recently let contracts to processors to furnish canned beef for distribution among needy families. This program is expected to have some favorable effect upon the regular beef cattle market as the product being taken for relief purposes will reduce the supply entering competitive trade channels.

INCREASED TARIFF OF DOUBTFUL VALUE

Although the beef cattle business undoubtedly has been aided by the tariff in the past, this effect was felt only so long as total cattle production did not outstrip domestic demand. Net imports of beef during the past year were less than 1 percent of the total supply on the market, and the effect on price of entirely barring imports would be small—probably not more than a few cents a hundred. It is generally admitted that beef cattle production has expanded to the point where it is almost out from behind the tariff wall and on the world market. A higher tariff may prevent any further aggravation of the situation because it more effectively keeps out foreign products, but it will do little toward aiding producers to scale down their own home production to the level at which they may secure the benefit of a balanced supply-and-demand situation.

If cattle prices are to show any improvement, either there must be some effective and practical means of controlling the supply entering the market or consumer buying power must be further increased.

A substantial reduction in cow numbers seems necessary before the cattle industry will again be on a profitable basis or will fully share in industrial revival. Holding back cattle on farms and ranges might improve the situation temporarily, since this would reduce the volume of meat on the market, but eventually it would result in a further accumulation of supplies to be disposed of. With the present numbers of cows, the annual output of cattle and calves is equal to the largest yearly slaughter of such stock on record.

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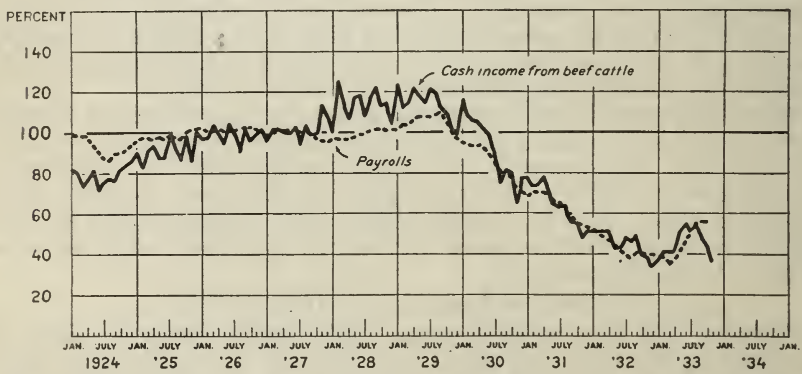
SUGGESTIONS FOR PRODUCTION CONTROL

Several suggestions have been received by the Administration for consideration in developing a production control program for beef cattle producers. These include the spaying of heifers; destruction of tubercular cows and utilization of the carcasses for tankage and fertilizer; extensive purchase of cattle for slaughter, canning, and distribution by the Federal Emergency Relief Administration; and increasing the practice of fattening cattle on grass, thus reverting to the older methods of maturing and finishing of animals entirely on grass rather than feeding grain to calves and producing the same weight of carcass at 1 year that on grass would require 2 to 3 years. Representatives of some cattle producers' organizations have suggested that spaying of heifers be made a requirement in connection with securing loans from regional agricultural credit corporations.

Chart 26.—Factory Payrolls and Cash Income from Beef Cattle (Adjusted for Seasonal Variation, 1924–29=100 Percent)



The outstanding possible source of improvement in the beef cattle situation is an increase in consumer purchasing power.

But farmers and livestock men generally recognize that some time must elapse before improvement can be felt either from a production adjustment program or from an upturn in demand. For that reason farm leaders have recently suggested that Congress be asked to appropriate a sum of money to be used for the relief of the beef cattle and dairy industries during the period of low consuming power and low prices.

MAY MAKE BEEF CATTLE BASIC COMMODITY

If benefit payments are to be made to beef producers in connection with a program of production control, it will be necessary to amend the Agricultural Adjustment Act so as to include beef cattle as a basic commodity.

This course is believed by many persons to be preferable to allowing the industry to drift or to bringing beef within the scope of processing tax levies under the compensating tax clauses on the ground that beef is a natural competitor of pork and pork products, which are already placed within the benefit payment and processing tax program.

Specific plans for adjusting the cattle supply to the actual demand have been deferred pending amendment of the act to make cattle a

basic commodity, but to be successful it is recognized that the plan must be thoroughly understood and supported throughout the country. The object of any program adopted would be to establish a sound basis for fair prices to the beef cattle men insofar as supply and marketing practices permit.

BEEF AND DAIRY INDUSTRIES CLOSELY RELATED

It should be pointed out that the decline in cattle values has had a strong competitive effect on the dairy industry. Many beef raisers have milked beef cows or even bought dairy cows, and reports of creamery butter manufacture indicate that many of the range States have greatly increased their production of butter within the past year. Hence any improvement accomplished in the beef industry as such will tend to be of indirect help to dairymen.

The relationship between the beef and dairy industries is so close that no program of production control and benefit payments may be undertaken in either without due regard for the effect it may have on the other.

OLEOMARGARINE AND BEEF

Besides interesting themselves in the proposed marketing agreement with the packing industry, the beef men are keenly interested in a marketing agreement which has been offered to the Administration by the Institute of Margarine Manufacturers. While this agreement is handled in the Cotton Section of the Administration owing to its close relation to the cottonseed industry, the representatives of the American National Livestock Association and other meat-animal interests have appeared in support of it.

The beef men desire to see one of the provisions of the proposed oleomargarine agreement perfected and adopted. This provision would limit the production of oleomargarine to animal and vegetable fats and oils produced within the United States. Naturally such products as oleo stearin and other byproducts of the beef industry are regarded in this connection. However, the oleomargarine industry seems split into two equally strong factions respecting this proposed agreement. The manufacturers of oleomargarine from domestic fats and oils favor it and the importers of copra and coconut oil oppose it.

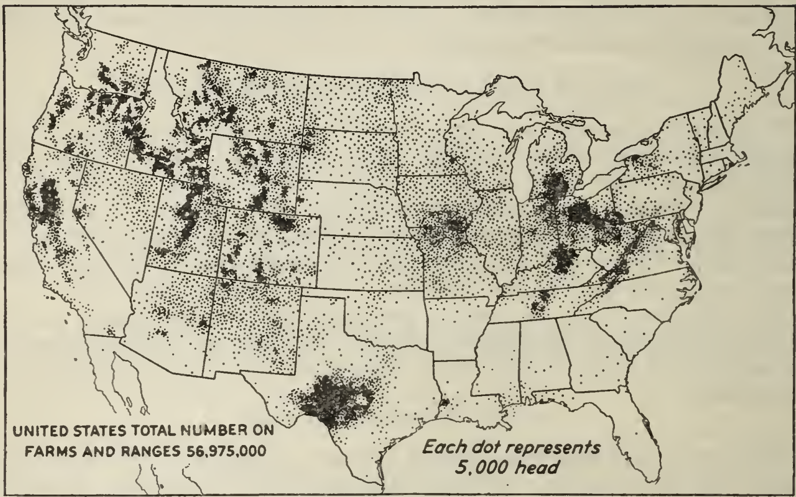
Its adoption would confer more actual benefits on the beef industry or the beef packers than it would on the dairy industry. This is because oleomargarine produced from domestic materials would still be a dairy competitor, while the exclusion of foreign ingredients in making butter substitutes would probably extend the outlet for beef byproducts.

II. SHEEP

The situation with regard to sheep in the United States is very different from that of cattle.

Representatives of sheep and wool producers' organizations have expressed the opinion that their industry is now in a strong position. They anticipate that the numbers of sheep will be gradually reduced during the years 1934–35, on account of the large number of aged ewes now being held in all the range States. Also, the small numbers of ewe lambs that had been retained for replacement purposes during

Chart 27.—Sheep and Lambs on Farms and Ranges, April 1, 1930



the last few years have brought about a condition that seems to be very favorable from the standpoint of the producers. This condition is reflected particularly in the range States where sheep are held in large numbers. There has also appeared another factor helpful to the sheep producers, namely, the world shortage of wool which has resulted in wool values having increased 300 to 400 percent in the last 20 months.

The only desire the sheep men have expressed to the Administration has been that no tax be levied on wool.

CHAPTER 12

SURPLUS RELIEF OPERATIONS

SALIENT FACTS ABOUT SURPLUS RELIEF PURCHASES

1. Expenditures already made for surplus basic commodities by Secretary of Agriculture	$20, 481, 000
2. Amounts of basic commodities purchased by Secretary. (See item 1.):	
Pounds of cured pork	131, 000, 000
Pounds of butter (purchased and ordered)	45, 242, 760
Pounds of cheese ordered	3, 602, 000
3. Expenditures for pork and pork products now under way under second pork-buying program	$10, 000, 000
4. Total of expenditures by the Secretary of Agriculture	$30, 481, 000
5. Expenditures from Federal Emergency Relief funds	$23, 031, 493

An important phase of the Agricultural Adjustment Administration's activity has been the removal of surpluses of a number of farm commodities from ordinary competitive trade channels. This has been accomplished through an arrangement with the Federal Emergency Relief Administration, which is distributing these surpluses to needy and underfed persons on relief rolls throughout the country.

In the introductory chapter of this report, headed "Objectives and Mechanisms", it was stated that the surpluses of some farm products are so great that even if every hungry person in the United States had all he could eat, there would still be an oversupply. However, the families of many unemployed men and women have actually not been consuming as much food as they would like to eat. Furthermore, their diet has been severely restricted and they have lacked the variety of foods they need for health and strength.

The obvious fact was this: Huge oversupplies of farm products were begging for a market. Large numbers of people were suffering from hunger or malnutrition. The trouble was that, temporarily at least, our system of distribution and exchange was failing to function.

To make it possible for these hungry people to avail themselves of the huge stores of food, direct action was necessary. Therefore the Agricultural Adjustment Administration, with the approval of the President, and the cooperation of the Federal Emergency Relief Administration, launched a program of purchase of surplus farm products for distribution to the families on relief rolls.

ORDINARY SALES NOT DECREASED

Purchase of such supplies has removed them from competition with that portion of the farm output sufficient to meet the demand in the markets. Since they are given to persons who otherwise would not be able to buy them, ordinary sales of these commodities are not decreased.

Part of the purchases have been made by the Secretary of Agriculture and part by the Relief Administration. The Secretary has purchased and donated for relief purposes, pork and dairy products—basic commodities for the removal of which funds were available from processing taxes. Surplus agricultural products, such as cattle for corned beef, dry beans and apples, on which processing tax funds are not available, have been purchased with Relief Administration funds on recommendation of the Secretary when he has found that their removal would benefit producers. (See exhibit 14 of appendix F for the list of these commodities and the amounts bought.)

Through the expenditure of funds from the two Administrations, a larger variety of products has been provided to the needy than would otherwise have been possible if the operations had been confined to basic commodities only. Also, the benefits of surplus removal have been extended to the producers of nonbasic commodities.

Funds of the Relief Administration have been used not only for the purchase of the nonbasic commodities, but also for the processing and distribution of those classed as basic.

FEDERAL SURPLUS RELIEF CORPORATION

As an operating agency for this cooperative project and for other purposes, the Federal Surplus Relief Corporation was created October 4, 1933. This is a nonprofit corporation, organized under the laws of Delaware. Its principal officers are: President, Harry L. Hopkins, Federal Emergency Relief Administrator; vice president, Henry A. Wallace, Secretary of Agriculture; and treasurer, Harold L. Ickes, Secretary of the Interior and Public Works Administrator. These three men, together with W. I. Myers, Governor of the Farm Credit Administration, constitute the board of directors. The corporation combines powers granted by Congress under the Federal Emergency Relief Act, the Agricultural Adjustment Act, and the portion of the National Industrial Recovery Act dealing with public works. It may derive funds from each of these three sources and from the States to which surplus commodities are shipped.

Thus far the Federal Surplus Relief Corporation has cooperated primarily with the Agricultural Adjustment Administration and the Federal Emergency Relief Administration and has served as an instrument for the procurement and distribution of food supplies.

EXPENDITURES OF $30,000,000

Directed toward the dual objective of removing surpluses and providing food to the destitute, purchases by the Secretary up to January 15, 1934, totaled more than $20,000,000. Of this amount, $9,231,000 was used for pork, and $11,250,000 for butter and cheese. A second program, involving the expenditure of approximately $10,000,000, is now under way and will bring the total to $30,000,000. All these purchases are financed with funds from processing taxes levied or to be levied under the Agricultural Adjustment Act.

Approximately 100,000,000 pounds of salt pork constituted the first purchase made in the surplus relief operations. This pork was donated by the Secretary of Agriculture to the Relief Corporation, which latter purchased for the Secretary about 31,000,000 pounds of smoked pork.

In the earlier purchases, bids were accepted from the packers on the basis of processed pork. The expense was divided between the Agricultural Adjustment Administration, which paid the cost of the live hogs from which the pork was processed, and the Relief Administration, which met the processing charges.

Purchases of 27,000 head were made in Chicago in November; and 94,000 head were bought between December 4 and December 26 in 8 markets—Chicago, Kansas City, Omaha, St. Louis, St. Paul, St. Joseph, Indianapolis, and Sioux City. During most of January 1934, under the second program mentioned above, hogs were purchased and slaughtered at the rate of more than 20,000 head per day. Beginning January 24, new contracts were effective for the purchase of more than 23,000 head each day and by January 31 this number had been increased to 33,000 head per day. In order to support the hog market after February 1, when the processing tax on hogs was raised from $1.00 to $1.50 per hundredweight, the Federal Surplus Relief Corporation was authorized by the Agricultural Adjustment Administration to purchase about 10,000,000 pounds of lard and about 8,000,000 pounds of commercial cuts.

METHOD OF BIDDING CHANGED

On the more recent purchases the method of bidding and awarding contracts has been changed in a manner intended to benefit the producer of hogs, by returning to him a larger share of the total Government expenditure than previously, while a smaller share goes to the packer. Awards of contracts are now placed on a basis whereby the packer becomes the agent of the Government for purchasing hogs from the producer. For this operation the packer is paid a small buying charge per head. In addition he is paid separately for the cost of processing the meat. The hogs are bought by the packers for the Secretary in such amounts and over such periods as are best calculated to sustain the market during periods of unusually heavy marketings. This method is expected to maintain a steadier and higher market price level.

CANNED BEEF

With Relief Administration funds the Corporation purchased 400,000 pounds of canned beef in November 1933. In addition to this, contracts were let for the purchase of 2,200 head of cattle daily for a period of 20 market days, expiring February 2, and further awards of the same amounts were made for 20 market days after February 2. The purchases of beef have been made with Relief Administration funds, because beef is not designated as a basic commodity and processing taxes are not available from this product for surplus relief purchases by the Secretary of Agriculture.

BUTTER AND CHEESE

During the summer of 1933 unusual conditions resulted in an unprecedented production of butter and large amounts moved into storage. This resulted in a sharp market decline in prices. Alarmed by this situation, a delegation representing a large number of producers, processors, and distributors of milk and its products appealed to the Secretary to purchase a sufficient amount of the surplus to bring commercial storage stocks down to normal. This step was urged to enable dairymen and farmers to obtain fair prices.

The Secretary agreed to direct the resources of the Adjustment Administration toward assuring producers a reasonable return for their product, and to use Administration funds, together with those available from the Relief Administration, toward arriving at this end.

Since immediate action demanded a temporary expedient, the Secretary authorized John Brandt, president of the Land o' Lakes Creameries, Inc., to purchase surplus butter for resale to the Administration. Under this plan, more than 11,000,000 pounds of butter were bought from August 17 to October 25, inclusive. The authorization stipulated that no profit would accrue from these purchases either to Mr. Brandt or the Land o' Lakes Creameries, Inc., which is a cooperative organization.

Prices paid to producers of butterfat throughout the country are based on market quotations in the New York and Chicago markets, and purchases were made on these exchanges with a view to sustaining fair price levels. Butter was also bought under this arrangement in Philadelphia and Buffalo.

FARM CREDIT ADMINISTRATION ADVANCED FUNDS

The Secretary entered into an agreement to repurchase from Land o' Lakes whatever quantities of butter Mr. Brandt bought in carrying out his instructions. This operation was conducted with an outlay of $2,474,461.52. All of these purchases have been turned over by the Secretary to the Federal Surplus Relief Corporation. The Farm Credit Administration advanced to the Land o' Lakes $1,000,000 in several loans during the period of these purchases, all of which has been repaid.

When the Secretary designated Mr. Brandt to act for him informally, he suggested to the groups represented that an organization, representative of the whole industry, be formed with which he could deal on a formal basis for the general benefit of producers of milk and the processors of butterfat.

DAIRY MARKETING CORPORATION FORMED

The suggestion materialized in an industry-sponsored organization, known as the Dairy Marketing Corporation, set up as a clearing house to handle surplus dairy products in cooperation with the Secretary of Agriculture. This corporation's board of directors included representatives of the producers and the processors and distributors of milk, butter, and cheese. No officer, director, or member received any compensation for work for the corporation.

The Secretary entered into an agreement with the Dairy Marketing Corporation by which it was to purchase butter for resale to the Secretary in such markets and at such prices as he should designate. The total cost of the dairy products thus purchased by the corporation for the account of the Secretary included the actual cost of the products; out-of-pocket handling charges, such as transportation, incurred by the corporation; and a commission not exceeding one eighth of a cent per pound of butter.

Purchases through the Dairy Marketing Corporation totalled 32,178,740 pounds of butter. Considerations of production, consumption, existing storage stocks, conditions in past years, relief requirements, and the desire of the Secretary to obtain the maximum benefits for the people from the expenditure of available funds, determined the whole course of action.

The agreement with the Dairy Marketing Corporation was effective October 25 and was terminated December 16. Purchases were made daily, first on the New York and Chicago markets and then on the New York, Chicago, San Francisco, Portland, and Seattle markets.

Subsequently, the dairy purchasing program was turned over to the Federal Surplus Relief Corporation, which, as agent for the Secretary, now is asking for bids on butter in New York and Chicago. It is proposed to purchase 1,000,000 pounds each week for 3 weeks during February. Payments will be made on the basis of average weekly market quotations, as reported by the Bureau of Agricultural Economics.

Using Relief Administration funds, awards of contracts were made during January for the purchase of 5,800,000 pounds of butter, 4,200,000 to be bought in Chicago and 1,600,000 in New York. Funds from the same source will be used in the purchase of another 9,200,000 pounds, bids on which are now being invited. While prices will be based upon Chicago market quotations, actual purchase and delivery may be accomplished at many cities throughout the country.

Every effort is being made to afford equal opportunity to small and large creameries and distributors of butter to share in these purchases on a fair-price basis. The minimum basis for bidding will be 20,000 pounds, or one car lot. This reduction from a minimum of 200,000 pounds is intended to offer smaller concerns the same advantages larger firms would enjoy under higher minimum deliveries.

HOLDINGS DOWN TO NORMAL

By January 1 figures compiled by the Bureau of Agricultural Economics indicated that the butter surplus buying program had attained the objective of bringing the butter storage supplies near the normal level.

Of 111,210,000 pounds of butter reported in storage on that date, 39,932,000 was the property of the United States Government. In addition the Relief Corporation had outstanding proposals calling for bids on 18,011,000 pounds of butter. When this purchase is made the total removed from commercial channels of trade will be 61,242,318 pounds, of which 3,300,000 had been distributed January 1.

After deducting Government holdings and proposed purchases, the net commercial storage holdings will be 53,266,000 pounds as of January 1, 1934, as compared to 52,410,000, which is the total average for January 1 holdings in storage for the 5 years preceding 1933.

The present commercial storage holdings are not much more than a normal 2 weeks' supply for the Nation. The Government-owned supply is rapidly being distributed to the needy and underfed by the Federal Surplus Relief Corporation.

Surplus dairy supplies are being further reduced by purchase of cheese for relief purposes. On January 5, the Federal Surplus Relief Corporation awarded contracts for the purchase of 3,602,000 pounds of cheese at various points through the country. New purchase of cheese will be made during February.

DEPARTMENT INSPECTS COMMODITIES

Inspections of commodities acquired through the Federal Surplus Relief Corporation or other agencies are made by the representatives of the Department of Agriculture whose normal function it is to make these inspections either for the Government or for commercial inter-

ests. On approval, the goods are accepted by them for the Secretary. Vouchers are approved by representatives of the Bureau of Agricultural Economics and the Bureau of Animal Industry of the Department of Agriculture and by the representatives of the Comptroller in the field auditing service. The vouchers are then presented for payment to the Army finance officers who are employed, for the sake of economy, in making disbursements outside of Washington. Final audit is made by the Comptroller's Office in Washington. The warehouse receipts or other evidences of title for all goods purchased with funds allocated by the Secretary of Agriculture are sent to the Agricultural Adjustment Administration in Washington so that the title actually comes into the possession of the Secretary. The goods are thereafter donated to the Federal Surplus Relief Corporation.

PROCEDURE OUTLINED

As an example, procedure which was followed in the purchase of butter is briefly outlined: Purchase orders were issued naming quantities, grades, and maximum prices; butter was purchased for the Secretary on the mercantile exchanges; invoices, negotiable warehouse receipts, and vouchers were delivered to the chief inspector of the Bureau of Agricultural Economics at Chicago, who inspected or caused to be inspected, the butter, which was graded and weighed by a representative of the Bureau. Thereafter, being in possession of the warehouse receipts, the chief inspector accepted this butter for the Secretary and for the Government. He executed an acknowledgment of receipt for the Government on the voucher which was then sent to the finance officer, United States Army, for payment. The warehouse receipts were sent to the proper officer in the Agricultural Adjustment Administration who, after having prepared proper records, delivered these warehouse receipts under authority from the Secretary to the Federal Surplus Relief Corporation as a donation for distribution through the Federal Surplus Relief Corporation and/or the Federal Emergency Relief Administration, to the underfed and needy.

PAINSTAKING AUDITS OF ALL TRANSACTIONS

Thorough and painstaking audits of all financial transactions have been carried on currently with the expenditures of money, and every safeguard has been thrown around the handling of property so that the Government may obtain the goods for which it pays, and these goods may be promptly delivered to the custody of the Federal Surplus Relief Corporation.

Distribution of commodities by the Surplus Relief Corporation is made through State and county relief channels in the same manner as the distribution of funds. A representative of the Secretary of Agriculture is on duty in the office of the director of procurement, Federal Surplus Relief Corporation, to assist in distribution. Representatives of the comptroller, Agricultural Adjustment Administration, are also on duty with the Relief Corporation maintaining records, accounting and auditing all items in which the Secretary of Agriculture is involved.

Exhibit 15 of appendix F shows the amount and cost of each commodity purchased with Agricultural Adjustment Administration funds for distribution through relief channels.

CHAPTER 13

MISCELLANEOUS CODES AND MARKETING AGREEMENTS

Besides the codes of fair competition mentioned in connection with the several commodities dealt with in this report, the Agricultural Adjustment Administration has devoted much time to the consideration of a large number of miscellaneous codes relating to food products, fishery industries, alcoholic beverages, and other industries not directly related to agriculture.

As described in the section of this report headed "Objectives and Mechanisms", most of the codes for industry remote from agriculture and not closely related to prices paid to farmers have been transferred by Executive order to the National Recovery Administration. This has relieved the Agricultural Adjustment Administration of an enormous burden and permitted it to concentrate on its principal task—the increase of farmers' purchasing power.

With repeal of the eighteenth amendment, regulation of the domestic manufacturing, wholesaling, and importing of liquor has been made effective through codes and marketing agreements. Codes have been put into effect for the alcoholic beverage importing industry, the distilled spirits industry, the distilled spirits rectifying industry, the brewing industry, the alcoholic beverages wholesale industry, and the wine industry. The codes are administered by code authorities named by the industries themselves. The code authorities and administrative matters in general are, however, subject to the jurisdiction of the Federal Alcohol Control Administration.

CHAPTER 14

CONSUMERS' COUNSEL

The office of consumers' counsel was created within the Agricultural Adjustment Administration in June 1933. It was established in conformity with the Agricultural Adjustment Act, which declared it to be the policy of Congress "to protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the pre-war period, August 1909–July 1914."

The act further provided in section 9 (e) that "when any processing tax, or increase or decrease therein, takes effect in respect of a commodity the Secretary of Agriculture, in order to prevent pyramiding of the processing tax and profiteering in the sale of the products derived from the commodity, shall make public such information as he deems necessary regarding (1) the relationship between the processing tax and the price paid to producers of the commodity, (2) the effect of the processing tax upon prices to consumers of products of the commodity, (3) the relationship, in previous periods, between the prices paid to the producers of the commodity and prices to consumers of the products thereof, and (4) the situation in foreign countries relating to prices paid to producers of the commodity and prices to consumers of the products thereof."

Activities of the Consumers' Counsel have consisted mainly of examination of marketing agreements and codes, research in connection with consumer problems arising under the act, and investigation and publicity with respect to food prices to consumers.

PRINCIPLES FOLLOWED

In analyzing marketing agreements and codes, the following principles have been used by the Consumers' Counsel as a guide:

1. That all agreements should exhibit some benefits to the farmer.
2. That they should not involve an unjustifiable burden to the consumer.
3. That they should include effective provisions for grading and standardizing products to insure the honesty of weights and measures and of the product itself.
4. That they should not involve unnecessary burdens and expense of policing by the Government.
5. That they should not permit abuses of powers to reduce competition.
6. That they should conform to the general declarations of the President.

Milk agreements have occupied a substantial part of the time of the Consumers' Counsel. Public hearings held by the Administration in Boston, Philadelphia, Baltimore, and Chicago were attended by Consumers' Counsel representatives. The objective was to make contacts with public officials, welfare agencies, and groups interested in problems of producers and consumers, with the aim of stimulating

local representation in the formulation of agreements and in their subsequent administration. Many conferences have been held with farmers, distributors, Congressmen, and others, in connection with local problems.

RETAIL AND FARM PRICES OF FOOD PUBLISHED

Information concerning retail food prices in relation to prices to farmers has been assembled by the Consumers Counsel and published twice a month in the form of a Consumers' Guide. Retail prices of 14 major food commodities are published. The corresponding farm values are also computed periodically and changes in the farmer's share of the consumer's dollar noted. The commodities included are butter, cheese, milk, eggs, hens, round steak, leg of lamb, pork chop, flour, bread, lard, potatoes, rice, and prunes. The most recent report, covering prices on January 16, 1934, shows that the farmer's share of each dollar consumers paid for these foods was 35 cents. In March 1933 his share was 31 cents. In this work the Consumers' Counsel has the cooperation of the Bureau of Labor Statistics of the Department of Labor and the Bureau of Agricultural Economics of the Department of Agriculture.

Requests for the Consumers' Guide have been received from universities, research foundations, periodicals, and hundreds of scientists and scientific agencies, as well as from the public.

Repeated press releases on bread prices prepared by the Consumers' Counsel apparently have had a deterrent effect on unjustifiable increases in bread prices. In the chapter of this report on "Incidence of Processing Taxes", it is indicated that while bread price increases followed levy of the processing tax, these increases were not generally due to pyramiding of taxes.

These press releases were started in July and were based upon the proposition that the processing tax on wheat, amounting to approximately half a cent upon a pound loaf of bread, did not justify any of the much more substantial increases in the price of bread which then threatened. The Secretary of Agriculture initiated the campaign of publicity, warning bakers of the injustice of pyramiding the tax or using it as a basis for profiteering.

By these frequent comments on bread prices, coupled with the issuance of periodic tables of these prices in 49 cities throughout the country, there was developed a definite attitude of inquiry concerning bread on the part of consumers. This, in turn, led to a more general attitude of caution on the part of the bakers, a majority of whom appeared eager to conduct their business so as to refute the charge that they were gouging the public. Correspondence and newspaper clippings received in the Consumers' Counsel offic indicated clearly that the public in one city, where the bread prices were shown to be higher than in another city, was made aware of this contrast by the publicity from the Consumers' Counsel and was thereby encouraged to investigate the causes for such a difference.

STANDARDS NEED TO BE MADE UNIFORM

In connection with these price differences there arose the intimately correlated question of bread standards. There appeared to be considerable shifting of bread weights and formulae in an effort to avoid the implication of undue price raising. The Consumers' Counsel

repeatedly pointed out the difficulty of ascertaining the justice of bread prices because of this lack of standards and urged the baking industry, through one of its official organizations, the American Bakers Association, to arrive at a uniform set of standards to be submitted to the Government for approval.

This problem of bread standards is typical of the problem of standards relating to a multitude of other food products. It is one of the problems which has occupied the attention of the Consumers' Counsel and which the Consumers' Counsel is attempting to help solve in conjunction with the Bureau of Home Economics and other agencies of the Government.

President Roosevelt in his January 1934 message to Congress said that "we would save and encourage the slowly growing impulse among consumers to enter the industrial market place with sufficient organization to insist upon fair prices and honest sales." This is the guiding principle of the Consumers' Counsel both as to prices and standards.

EFFECT OF COTTON PROCESSING TAX

Another specific example of the Consumers' Counsel activities relating to processing taxes and price increases was the investigation into price rises on cotton textiles and the part played in such rises by the processing tax on cotton. In August and September 1933 when an effort by some manufacturers to have the cotton processing tax reduced or abolished was at its height, it developed that many retailers of cotton textile goods throughout the country were declaring to their customers that the increases in cotton-goods prices were largely or wholly due to the processing tax. This declaration found its way into newspapers and other advertising. It was likewise the burden of answers made by retail sales clerks to consumers who questioned the abrupt price boosts on cotton goods.

Acting upon knowledge that the processing tax on cotton is only 4.2 cents per pound on the weight of cotton going into the manufactured commodity, the Administrator, in conjunction with the Consumers' Counsel, held a conference with the leading department store executives of Washington and submitted the question to them. The executives brought their invoices from manufacturers and wholesalers to the conference and freely stated that the processing tax on finished articles most commonly purchased is negligible and, far from being a cause for any major increase in the article, frequently is absorbed by the retailer. Substantial price boosts on such articles as shirts, with the tax amounting roughly to a nickel a shirt, or overalls where the tax amounts approximately to 8 cents per pair, or sheets where it amounts to about 8 cents, could obviously not be blamed with justice upon the cotton processing tax. Chapter 16 on the "Incidence of Processing Taxes," describes the increase in the manufacturers' margins which followed the tax, and the subsequent decline of those margins.

The result of this conference and the attendant publicity was a better understanding of the processing tax by both retailers and the public and the promotion of a more intelligent buying attitude in relation to it. The practice of blaming increases in the price of cotton goods upon the tax was almost entirely eliminated.

RADIO TALKS

Such efforts have been supplemented by weekly radio talks in cooperation with the General Federation of Women's Clubs. These talks have covered a wide range of subjects aimed to advise the public of the activities of the Agricultural Adjustment Administration and the objects which it hopes to achieve. They have stressed the dual function of the Administration to bring about an advancing price schedule for the farmer and to protect the consumer. The response to these talks has been widespread, not only from the urban regions but from the rural regions as well. Judging by this response, the process of bringing about a common understanding between farm dweller and city dweller is under way. The two groups are learning that they have important mutual interests. The city group, according to its letters, is willing to pay increased prices for commodities originating on the farm, providing that this increase goes into the pockets of the farmer and is not deflected into the pockets of the distributor or the processor.

ECONOMIC RESEARCH

Underlying other aspects of the Consumers' Counsel office is the basic work of research and analyzing the marketing agreements and codes under the Agricultural Adjustment Administration. It is here that the Consumers' Counsel staff of economists and experts expend their efforts most effectively in behalf of the consumer and the farmer. The form and construction of the marketing agreements and codes are subjected to searching scrutiny so that the purposes of the Agricultural Adjustment Act may be effectuated. In the course of these studies it has been inevitable that the economists should find themselves wrestling primarily with such problems as price-fixing, spreads between the producer and consumer, and methods of bringing about more effective distributive processes between the farm and the city.

The Consumers' Counsel has advocated, as a general policy, reduction of spreads wherever possible and has scrutinized codes and agreements to detect provisions, which might result in Government sanction of increased spreads. Part and parcel of the general technique through which the economists and research experts have developed the facts respecting industries presenting marketing agreements and codes for approval has been their active participation with other members of the Administration and representatives of the industries in preliminary conferences and at formal hearings on the proposed codes and marketing agreements. In this way the consumer point of view has found its most effective, practical expression—expression at a point in the process of making the agreements and codes before principles injurious to the consumer have been incorporated in a document.

CONSUMER REPRESENTATION ON CONTROL BOARDS

In order further to work toward the consumer protection called for in the act, the Consumers' Counsel has sought for inclusion in marketing agreements and codes provisions for the appointment by the Secretary of representatives of the public to sit with the supervisory boards or committees set up to control the industries under the agreements and codes. The problem of selecting individuals to fill these important posts is a difficult one.

Never before having been officially recognized by the establishment of offices within the Government designed to protect its interests, the

consuming public has not had developed in its behalf any considerable corps of people throughout the country trained in the technique and economics of industry from the consumer point of view. The Consumers' Counsel office, through its analysis of agreements and codes, has given study to the problem of the qualifications which consumer representatives on supervisory boards should have and the functions they should perform. The mere presence of such representatives on the boards, whether they have voting power or not, is regarded as of definite public value and as encouraging "the slowly growing impulse among consumers * * * to insist upon fair prices and honest sales", referred to by President Roosevelt in his opening message to Congress in January.

The recourse to public statement open to these representatives in case they feel that their arguments in behalf of the public are not receiving a fair hearing within the supervisory bodies is in itself an influence leading in the desired direction. The development of all pertinent data for the use of such consumer representatives is held to be a proper and significant part of the duties of the Consumers' Counsel and his staff. It is further held to be essential to the process of aiding in the education and training of people adequately equipped to guard the interests of the public.

The problem is exemplified in its relation to milk. The milk industry boards, under the revised milk policy of the Administration, are to have on them representatives of the public with a voice which in at least some respects will be equal to that of the representation of producers and distributors. These boards, advisory to the milk administrator appointed by the Secretary in any given market and with the right of appeal directly to the Secretary, illustrate the aim of the Administration to place increasing responsibility for administration of milk markets upon local communities. The public representatives on those boards may appeal separately to the Secretary or to the public of their communities just as the distributor or producer representatives may. In this way it is believed that the consumer representation should become increasingly effective. The Consumers' Counsel staff, observing milk-market conditions through participation in the drawing up of licenses and agreements, plans to support public representation on the milk boards so as to assist the boards in equitable administration of the milk markets.

IMPORTANCE OF CONSUMER PROTECTION

From the standpoint of public policy, protection of the consumer is just as important as protection of the producer. Appointment of the Consumers' Counsel constitutes official recognition that the consumer should have special protection provided by the Government.

In various ways, the Agricultural Adjustment Act and its administration have served to clarify relationships between producer and consumer problems.

This clarification has come about partly as the result of the practical and realistic approach to farm problems afforded by the act. It has been found that for some commodities, notably dairy and meat products, producers are so directly dependent upon consumer purchasing power that fluctuations in prices under conditions of constant supply closely parallel the rise and fall in factory pay rolls. More-

over, though production adjustments are essential in dealing with various farm commodities, the Agricultural Adjustment Administration has pointed repeatedly to the fact that we cannot starve ourselves rich, and that filling the valleys of human consumption is more desirable from the producers' as well as the consumers' point of view.

Recognition also has been given by the Administration to the circumstance that elevation of farm prices beyond the ability of consumers to buy has a tendency to reduce consumption, resulting in accumulation of market surpluses and disastrous relapses in price. Thus it can be seen that neglect of consumer problems in adjusting farm prices upward would be a serious error from the producer point of view, injuring the farmer more than it would help him.

These facts, together with the additional fact that the farming population itself constitutes one of the major consuming groups, have led to the establishment and development of the office of the Consumers' Counsel by the Administration.

A NEW APPROACH TO ECONOMIC PROBLEMS

The step affords a somewhat new approach to present-day economic problems. Hitherto in this country, efforts to assist the producer have formed the usual basis of public policy in dealing with economic legislation of either permanent or emergency character. But if the persistence of economic depression is recognized as in large part due to reduced money incomes and to unequal distribution of wealth rather than lack of useful goods, the importance of consumer purchasing power quickly emerges into the foreground of the recovery effort.

Although modern industrial endeavor has become highly complex, with division of labor developed to the great degree made possible by machines, the people primarily are engaged in producing goods and services for themselves and for exchange among one another.

The agricultural producers' share in the national income has declined enormously since the days of pre-war farm price parity, and shrinkage in consumer purchasing power which followed the economic collapse of 1929 has aggravated farm problems and retarded agricultural recovery. The decline in distributors' margins usually has been less marked, when there has been a decline, than the fall in farmers' price or in factory pay rolls.

One objective of the present National Administration is conceived to be facilitation of exchange of goods among various producer and consumer groups. This is assisted by a number of emergency measures (including public works, civil works, conservation corps camps, credit measures, and agricultural plans), all designed to stimulate revival of consumer purchasing power. If the distributors of these goods should take advantage of farm and other recovery plans so as to increase their spreads by as much as or more than the assistance given producers and consumers, they would tend to defeat the whole National Administration program.

The establishment of the Consumers' Counsel in the Agricultural Adjustment Administration can be regarded as part of an attempt to prevent such frustration. It is a beginning, but a fundamental step. It initiates a development which is already important, but which will become more so as the Adjustment Administration continues to carry out the mandate of the act.

CHAPTER 15

COURT DECISIONS ON CONSTITUTIONALITY

Notwithstanding the fact that 8 months have now (Jan. 15, 1934) elapsed since the Agricultural Adjustment Act has been in force, there have been only four decisions by the courts in which the constitutionality of the act was passed on. In all of the four cases, the courts have sustained the constitutionality of the act.[1] In this connection, it is interesting to note that not only has the constitutionality of the act been sustained, but the language used by the courts in their opinions sustaining the act has been vigorous, incisive, and all bear internal evidences of a deep understanding of the social purposes forming the basis of the act and a proper realization of the weight that should be given the wide-spread depression and the resultant emergency as a factor bearing upon the question of constitutionality.

In the case of *United States of America and Henry A. Wallace, Secretary of Agriculture*, v. *Caliston Packers, Inc.*, in the United States District Court for the Northern District of California, a bill in equity was filed by the complainants seeking to enjoin a peach canner, and a licensee under a license issued by the Secretary, from violating the terms and conditions of his license by exceeding the allotment for canning fixed pursuant to the terms of the license. The defendant urged that the statute and the license were unconstitutional. Hence, this question was squarely involved. In passing upon this case, the court said:

> The violations set forth go to the very heart of the plan before the court and are in effect a challenge to the integrity and efficacy of that plan. They are: (1) Total production and sale far in excess of the production to which defendant was restricted under the plan; (2) failure to pay into the control fund the sums assessed against canners for the purpose of purchasing from farmers, at a fair price, all their surplus peaches, and thus preventing their glutting the market, breaking down the prices and imperiling the industry and the trade and commerce thereof; (3) failure to permit the representatives of the Secretary to examine defendant's books, records, and papers.
>
> Two questions of far-reaching importance are presented. The first goes directly to the constitutional validity of the Agricultural Adjustment Act and the agreement and license before the court. Upon the constitutional question a number of points have been raised which need not be treated in great detail, for example, as to the improper delegation of legislative powers. It may readily be answered that where Congress has laid down fairly definite standards, the courts have consistently held that procedure thereunder, even to the extent of providing rules and regulations, violations of which may be punished, may be placed in the hands of the administrative agencies of the Government. This power of delegation is highly essential to the efficacy of such statutes.
>
> The power to regulate interstate commerce is granted in broad terms to the National Congress and this power should not be restrictively construed. Rather

[1] Since the above was written, on Jan. 30, 1934, Judge Ackerman, sitting in the United Sates District Court for the Southern District of Florida in the case of *Hillsboro Packing Co.* v. *Yarnell*, Jan. 30, 1934, decided that the act was unconstitutional and entered a temporary injunction, restraining the operations under a Florida citrus license and agreement. The case is now pending on appeal in the United States Circuit Court of Appeals for the Fifth District which granted a stay of the temporary injunction order pending the hearing on appeal.

it must be construed to give the Congress the power to regulate any and all commerce which may seriously affect the interstate trade. This court, with propriety, cannot make the narrow holding that the legislative body, under this and analogous statutes, is without power to regulate intrastate commerce as a proper means of achieving the desired regulation of the interstate commerce. In this and other respects this power to regulate must be construed to effectuate the broad purposes of the constitutional grant and of the national policy.

Upon the constitutional question greatest reliance is placed upon the contention that the statute, agreement, and license before the court violate the due-process clause. A proper respect for the deliberate judgment of the coordinate legislative branch of the Government requires that the court do not hastily pronounce important legislation invalid. The Congress has made a legislative finding that a national emergency exists. This court, upon that finding and upon its own judicial notice of the economic distress throughout the Nation, here arrives at a similar conclusion.

In the cling-peach industry and in other industries, due to great overproduction and ruinous competition, the members of that industry and the trade and commerce thereof have been near the point of ruination. In particular, due to the foregoing factors and to the great disparity between the prices of commodities purchased by the farmers and the prices they have received for their own products, the farmers have been reduced to a condition bordering upon economic servitude. In the past few years the price for their peaches has been precipitously reduced from around $20 per ton to as low as $6.50 per ton. Overproduction and glutted markets travel hand in hand with ruthless competition.

It is needless to point out that the welfare of the Nation has been seriously handicapped by these conditions and the country's trade and commerce has been vitally affected. Under conditions such as these the court is bound to arrive at the conclusion that the peach industry is affected with a national public interest and that the Congress has the constitutional power to adopt appropriate legislation to cure these evils. The due-process clause in such a situation cannot properly be construed to obstruct the national policy. Neither the Constitution nor the due-process clause requires the perpetuation of conditions which impair the national vitality.

To adopt the view that the Constitution is static and that it does not permit Congress from time to time to take such steps as may reasonably be deemed appropriate to the economic preservation of the country is to insist that the Constitution was created containing the seeds of its own destruction. This court will not subscribe to such a view.

As was stated by Mr. Justice Brewer in an opinion of the United States Supreme Court:

"Constitutional provisions do not change, but their operation extends to new matters as the modes of business and the habits of life of the people vary with each succeeding generation. * * * Just so is it with the grant to the National Government of power over interstate commerce. The Constitution has not changed. The power is the same, but it operates today upon modes of interstate commerce unknown to the fathers, and it will operate with equal force upon any new modes of such commerce which the future may develop." (*In re Debs*, 158 U.S. 564, at 591.)

In two cases (*Economy Dairy Co., Inc.* v. *Henry A. Wallace*, and *Milton R. Beck* v. *Henry A. Wallace*) decided by the Supreme Court of the District of Columbia, a bill in equity was brought by the plaintiffs seeking to enjoin the Secretary of Agriculture from enforcing the Agricultural Adjustment Act and a license for milk issued thereunder to the plaintiffs upon the ground that the statute was in violation of the United States Constitution. The complainant made a motion for a temporary injunction and the defendant opposed this motion and also made a motion to dismiss the bill. The court denied the motion for temporary injunction and granted the motion of the Secretary of Agriculture to dismiss the two bills of complaint. In deciding these cases, the court said:

In the two cases of *Economy Dairy Co., Inc.*, v. *Wallace*, and *Beck* v. *Wallace* the court finds that a national emergency exists, and that the welfare of the people and even the very existence of the Government itself are in peril.

The day is past when absolute vested rights in contract or property are to be regarded as sacrosanct or above the law. Neither the necessities of life nor commodities affected with the public interest can any longer be left to ruthless competition or selfish greed for their production or distribution.

The court finds that the Agricultural Adjustment Act passed by Congress May 12, 1933, is constitutional, and that the regulations and licenses promulgated and issued thereunder are reasonable and valid.

Accordingly the court discharges the rules to show cause, and refuses to grant the temporary injunctions in these two cases, and grants the motions to dismiss the two bills of complaint.

In *Capital City Milk Producers' Association, Inc.*, v. *Henry A. Wallace*, also, an injunction was sought against the Secretary of Agriculture seeking to restrain the latter from enforcing the statute upon the ground that the statute was unconstitutional. The same judge who rendered the decision in the two previous cases dismissed the bill and sustained the constitutionality of the Agricultural Adjustment Act.

In no case up to January 15, 1934, has any judge held the act to be unconstitutional.

CHAPTER 16

INCIDENCE OF PROCESSING TAXES

The question of the incidence of processing taxes is being currently investigated by economists and statisticians in the Bureau of Agricultural Economics and the Agricultural Adjustment Administration. Basic principles embodied in the Agricultural Adjustment Act recognize that there are wide differences among the various farm products as to ways in which changes in supply and demand affect prices and returns to producers. Prices of some commodities are to a large extent affected by international supply and demand conditions; prices of others are almost wholly affected by domestic conditions; the demand for some commodities is such that to establish higher prices in consuming markets calls for a very marked curtailment in the amount consumed, while for others the demand is more inelastic, that is, the amount consumed tends to fall off only slightly when relatively high retail prices prevail.

Some commodities, such as the annual crops, lend themselves readily and quickly to curtailment of production and of amounts available for consumption, while the current supplies of others, particularly of livestock and livestock products, are the result of previous breeding and operations which cannot be instantaneously checked; the animals already raised must be fed and marketed regardless of price. Furthermore, certain farm products, such as meats, eggs, and the perishable fruits and vegetables, must be disposed of in the domestic market during a limited period of time; while the durable commodities, such as wheat and cotton, may be diverted to some extent from domestic to export channels, depending on price conditions. There are also wide differences in the methods and practices among the various distributing agencies. As a result, there are correspondingly wide variations in the extent to which processing taxes are passed on to consumers or are absorbed in the channels of distribution, as well as in the broader effects of the entire adjustment program on the total returns of participating producers.

COMPLETE STUDY NOT YET POSSIBLE

Examination of the effects of the processing taxes on wheat, cotton, and hogs made thus far is necessarily limited because the adjustment programs for each of these commodities are still in progress, and all the data needed for a complete study are not yet available. For example, in studying the effect of the hog processing tax, the only data as yet available relate to margins for a specific grade and weight of hogs, and not for the entire hog slaughter. Insofar as the prices of this weight and grade of hogs may not, in recent months, have been typical of the average for all hogs marketed by farmers and processed by packers, the conclusions reached in studying these prices cannot be regarded as final or infallible. Some of these limitations will be

overcome in the near future as more adequate and more comprehensive data are developed. But in the meantime, certain important conclusions can be stated.

The question "who pays the processing tax" cannot be answered by a mere examination of the change in producer, wholesale and retail prices and in the final spread between them. It is true that commonly this question is answered in this partial way without taking into account such facts as the volume of supplies, the rate of consumption, the amounts paid by consumers, the total returns to producers, the benefit payments made to producers from the proceeds of the processing tax, the stimulus to general business activity through increased farm purchasing power, and the improvement in the credit structure of the country through the enhancement of agricultural values. And while in this report no attempt is made to develop these broader aspects of the effect of processing taxes, it is possible to point out that in the marketing season as a whole income to the producers of wheat, cotton, and hogs has been or will be materially increased as a result of the combined production adjustment and processing tax program, and, as shown in earlier pages of this report, the distribution of this increased farm income to producers in the form of benefit payments in advance of the collection of the season's processing taxes has had a most pronounced beneficial effect directly or indirectly on the nonagricultural industries.

EFFECTS HAVE BEEN AS EXPECTED

The effects of the processing taxes on wheat, cotton, and hogs thus far, when considered only in relation to the recent changes in market prices, have been approximately as anticipated. The price behavior has corroborated the basic differences in the three commodities. Thus, in the case of wheat and cotton, the demand or the consumers' response to price changes is such as to make possible the levying of a tax without having it reflected in lower prices to producers. But in the case of hogs, the nature of the demand is such that unless the supply is reduced at the time of imposition of the tax, lower prices to producers are the natural result. In the case of wheat and cotton the imposition of the tax was accompanied by an actual curtailment of supply, the 1933 wheat crop being unusually small due to unfavorable growing conditions, and the 1933 cotton crop being reduced by 4,000,000 bales to a volume below the current season's consumption and thus reducing the carryover. In the case of hogs, on the other hand, about 4 months had to elapse before the emergency pig program of September 1933 could have its effect on reducing market supplies and raising hog prices, because in this case the pigs removed would not normally be marketed in volume until the late winter and early spring months.

The processing tax on wheat raised the price of flour but did not reduce the price of wheat to producers, and the processing tax on cotton raised the price of cotton goods, with no material lowering of the prices received by producers. But the processing tax on hogs did not operate in the same way. During the interval between the pig program of September 1933 and its first price stimulating effects at the end of January 1934, the central markets had to contend with heavy marketings by producers. While prices of hogs declined when the processing tax was first imposed, they averaged 15 cents per

hundredweight higher from September 1933 to January 1934 than during the similar period a year earlier. During the first half of February, sharply reduced supplies as a result of the emergency program, and Government purchases for relief purposes, were accompanied by a sharp advance in both live hog and product prices in spite of an increase in the processing tax.

PRELIMINARY CONCLUSIONS

In general, the conclusions from such investigations as have been made to date are: (1) During the period that has elapsed since the imposition of the processing taxes, the margins between what processors paid for raw materials and what they received for the products of wheat, cotton, and hogs increased enough to cover the payment of the processing taxes after allowance is made for increased wage costs. (2) In the 1933–34 marketing season as a whole, for wheat, cotton, and hogs, the income (including benefit payments) to producers, particularly the cooperating producers, will be materially increased as a result of the combined production adjustment and processing tax program. (3) In the retail markets the effect of processing taxes is to increase the price of bread and flour and of cotton goods to consumers. At the country shipping points wheat and cotton prices are increased to the extent that the adjustment program, of which the processing taxes are a part, reduces supplies. Consumers will also pay higher prices per pound for pork, on account of a reduction in supply, although the total amount of money spent for pork may not be any greater except as consumers are able to pay more in consequence of a general increase in the national income.

Although the processing taxes and adjustment of production will raise prices to consumers, nonfarming groups will receive indirect benefits from any increase in the purchasing power of farmers and in the restoration of agricultural equities reflected in improvement in general business conditions.

From investigations made by price analysts in the Bureau of Agricultural Economics and the Agricultural Adjustment Administration, concerning price changes since the imposition of processing taxes in 1933, there are given below the essential facts and temporary conclusions on wheat, cotton, and hogs, and some of the considerations that must be borne in mind in the discussion of the incidence of the processing tax.

I. PROCESSING TAX ON WHEAT

With regard to the processing tax on wheat, the evidence is fairly clear. Wheat is an outstanding example of a commodity, the consumption of which is fairly constant, irrespective of the level of prices. The processing tax was, therefore, originally expected to be absorbed in the channels of distribution and it has as a matter of fact been so absorbed since its imposition last July.

WHEAT PROCESSORS' MARGINS

It may be stated definitely that the wheat processing tax is not borne by millers. This is indicated by the increased spread between the price of good milling wheat and the wholesale value of the products which result from the milling of such wheat. The course of the price of wheat in the United States, as compared with the course of the

prices of other speculative commodities in the United States and of wheat prices in foreign countries, indicates that wheat prices in the United States have been unaffected by the processing tax. With the tax not absorbed by millers or taken out of farm prices, it must have been borne by the buyers of mill products. The changes in the prices of flour, bran, and middlings indicate that the tax has been added to the price of flour rather than to that of bran and middlings. The wheat control program has increased wheat prices somewhat, and hence the entire program has increased flour prices by more than the equivalent of the processing tax.

The wheat processing margin is the spread between the price of good milling wheat and the wholesale value of the products which result from the milling of that wheat. It may be determined approximately for any milling center at which adequate price series are available for wheat and for mill products. At Minneapolis from January 1932 to June 1933 this spread averaged a little less than 40 cents per bushel for spring wheat, and week-to-week deviations from the average spread were very small. The margin was slightly higher than the average during the months March to June 1933, and following the imposition of the processing tax on July 9 it increased to more than 70 cents. There then followed a slight narrowing of the spread to an average of about 70 cents during December. The changes in the processing margin are shown in the lower section of chart 28 and in the last column of table 19.

Similar results are obtained when the millers' margin is computed for Kansas City. There was an increase of 30 cents per bushel in the processing margin coincident with the application of the processing tax.

A comparison of yearly processing margins at Minneapolis from 1913 to 1932 is given in table 20. These margins have been computed in precisely the same way as those shown in chart 28 and table 19, except for the use of price quotations from bulletins of the Bureau of Labor Statistics.

FACTORS AFFECTING MARGINS

The margin was slightly higher during the months, March to June 1933 than prior to that time. This was presumably due primarily to the fact that wheat and mill product prices were rising very rapidly. The fact that the margin, minus the processing tax, has been higher than was the margin prior to March is probably due partly to the uncertainties of rapidly fluctuating markets, partly to the uncertainties involved in the operation of the milling industry under the Agricultural Adjustment Act and the National Industrial Recovery Act, and finally to the increased costs under the latter. The margin declined from July to December. The actual increase in milling costs due to labor provisions imposed under the National Industrial Recovery Act are small relative to the total margin. Wages are a relatively small part of the total milling costs, as is indicated by the fact that the 1929 Census of Manufactures shows wages amounting to only 3.3 percent of the value of the products of the industry and to only 18.3 percent of the value added by manufacture. According to an inquiry of the Millers' National Federation, the increase in the labor costs under the National Industrial Recovery Act averages 4.8 cents per barrel, though in case of some mills it runs as high as

10 cents per barrel. At 4.8 cents per barrel of flour the increase in costs would be less than 1.1 cents per bushel of wheat ground. In view, then, of the increase in the processing margin and the very small

Chart 28.—Wheat and Mill Products Prices at Minneapolis and Price Margin, 1932 and 1933

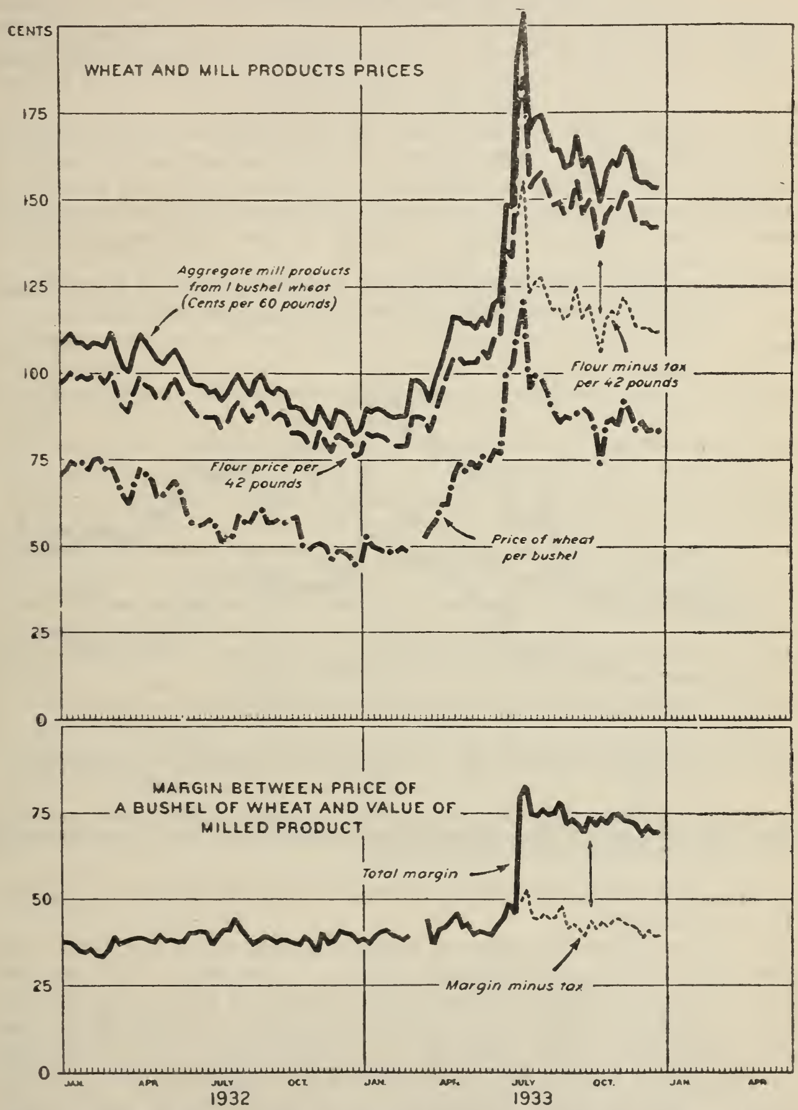


CHART 28.—The aggregate value of mill products and the price of flour both tend to rise and fall with the price of wheat. The margin between the value of a bushel of wheat and the milled product from it increased by about 30 cents per bushel when the processing tax of that amount went into effect.

amount which can be attributed to an increase in direct labor costs through the operation of the National Industrial Recovery Act, it would appear that the entire processing tax has been either passed on to buyers of mill products or reflected in lower prices of wheat.

EFFECT OF THE TAX ON WHEAT PRICES

The movement of wheat prices in the United States compared with prices of wheat in foreign markets and with the prices of other speculative commodities in the United States indicates that wheat prices in the United States have not been significantly affected by the processing tax. Chart 29 shows the daily price of December wheat futures at Chicago during the period June 1 to August 31, as compared with the price of December futures at Liverpool for the same period, and an index of the price of five speculative commodities in the United States. From this it is evident, first, that the imposition of the processing tax on July 9 did not check the rise in the price of wheat during the first half of July. Furthermore, it did not reduce the price of wheat in the United States relative to the price of wheat at Liverpool, or relative to the price of other speculative commodities in the United States. Hence from the short-time point of view, there is no evidence

Chart 29.—Index Numbers of Prices of Wheat and of Five Speculative Commodities, June 1 to August 31, 1933

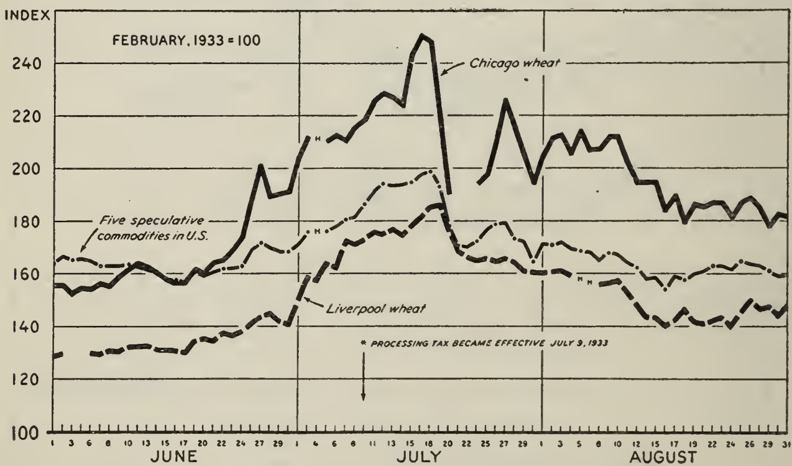


Chart 29.—The imposition of the processing tax on July 9 did not check the rise of wheat prices in the United States. They continued to rise more rapidly than did prices at Liverpool, or the average of prices of other speculative commodities in the United States.

that the price of wheat was significantly affected by the imposition of the processing tax.

Ever since March the price of wheat futures at Chicago has been higher than the price of wheat futures at Liverpool, and from late June to the present time the spread has been very wide, ranging from about 15 cents per bushel to as much as 25 cents. There were times in July and August when prices in the United States were so high that some wheat was bought in Argentine and Europe for import into this country. Consequently, such levels could not long be maintained. In subsequent months United States prices appear to have been maintained at about as high levels as it is possible to maintain them without resulting in imports of wheat over our tariff wall. Monthly average prices of May and December futures at Chicago and Liverpool, together with margins between them, are shown in table 21. Table 22 shows prices and margins for Minneapolis and Winnipeg and for

New York and Buenos Aires. In the months July to December, Minneapolis prices averaged nearly 30 cents per bushel above Winnipeg, whereas New York prices averaged nearly 50 cents above Buenos Aires. If there were no processing tax, it is not likely that the price of wheat in the United States could have averaged any higher relative to Liverpool and other foreign markets without resulting in imports, unless measures were taken to prevent importation of wheat over the 42-cent tariff wall or unless market conditions were much more stable.

ELASTICITY OF DEMAND

From a longer-time point of view, if there is no change in wheat production, the extent to which the wheat processing tax is borne by buyers of wheat products and the extent to which it is borne by the wheat producer are dependent upon the elasticity of the demand for wheat flour in the United States, the elasticity of the demand for wheat in foreign countries, and the elasticity of the demand for wheat for feed in the United States. Available evidence indicates that the demand for wheat flour in the United States is extremely inelastic. In years past there have been wide fluctuations in the price of flour but very little change in the per capita consumption of wheat flour except insofar as there has been a gradual change in flour consumption habits. This indicates that an increase of $1.38 per barrel of flour (the equivalent of the 30-cent-per-bushel tax) will have very little effect on the quantity of wheat flour consumed in the United States.

The low level of reported flour production during the late summer and fall of 1933 has been held by some to indicate that the processing tax has reduced flour consumption, but this is a mistaken idea. Following the imposition of the wheat processing tax there was a very marked decline in flour production, and during the months August to October output was abnormally low. The low level, however, was the natural result of the abnormally high output during the months March to June. Flour production was abnormally high during those months, partly because of the anticipation of the processing tax, but perhaps more largely because of the very rapid rise in wheat and flour prices which took place from March to mid-July. Flour buying and milling were stimulated because purchasers were attempting to buy before prices were higher. When allowance is made for reduced exports, flour production in November was about equal to the average of the last 10 years, and available evidence indicates that there has been no material reduction of flour consumption that can be charged to the processing tax.

SMALL VOLUME OF EXPORTS

Chart 30 shows wheat ground monthly during 1932–33 and for 1933–34 as reported by the Bureau of the Census, compared with a 10-year monthly average for the years 1923–24 to 1932–33. Prior to March 1933 reported grindings were below the 10-year average. This lower level of grindings was due primarily to the reduced export of flour. For the crop year 1932–33 flour exports in terms of wheat amounted to only 20,000,000 bushels compared with a 10-year average of 55,000,000. Although flour exports continued low throughout 1933, reported mill grindings were above their 10-year average from March to June. During the months August to October 1933, on the other hand, reported grindings were far below the average for the corresponding months of the previous 10 years.

Chart 31 shows the quantity of what is termed "reported flour production available for domestic use." This is arrived at by subtracting from the actual reported production the flour exports for the following month, there being a lag of 1 month in the seasonal move-

Chart 30.—Wheat: Amount Reported Ground, 1932–33 and 10-year Average for Corresponding Months, 1923–33

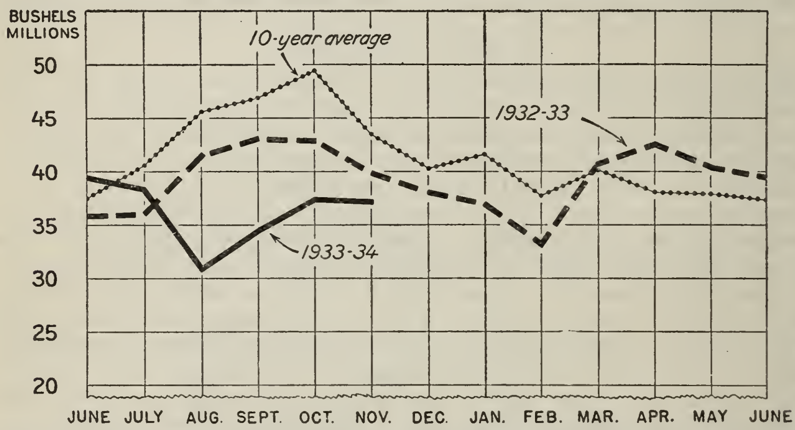


CHART 30.—During most of 1932–33 reported wheat grindings were considerably below the 10-year average, but in the months March to June they were above the average level. The spurt in flour milling during the months March to June was followed by a recession, and from August to November 1933 reported wheat grindings were below the level of the previous year.

Chart 31.—Wheat Flour: Reported Production Available for Domestic Use,* 1932–33, and 10-year Average for Corresponding Months, 1923–33

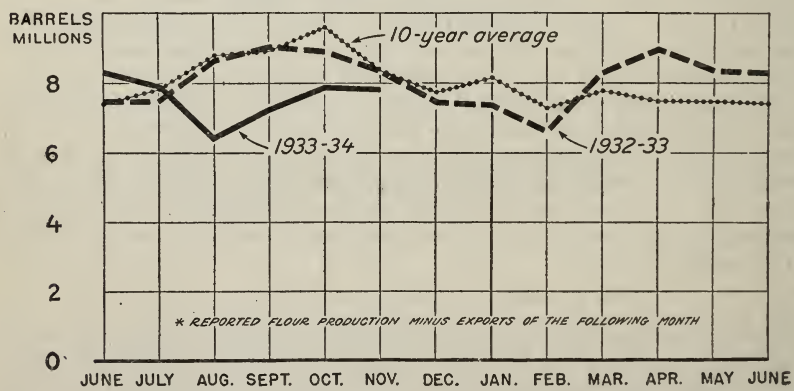


CHART 31.—From July to February of 1932–33 reported flour production available for domestic use was just about equal to the 10-year average, but in the months March to June it was well above the average. The unusually large amount of the production available for domestic use in these months resulted in a decline in the rate of milling, and from August to October of 1933 the flour production available for domestic use was well below the 10-year average, and also below the level of 1932.

ment of flour exports as compared with the seasonal movement of flour production. The chart shows that prior to March 1933 month-to-month changes in the reported flour production available for domestic use followed very closely the month-to-month changes in

the 10-year average. In March 1933, however, there was a spurt of flour production, and for the months March to June reported flour production available for domestic use was abnormally high. During July it was about equal to the 10-year average, and for the months August to October it was low, relative to the 10-year average.

CONSUMPTION OF FLOUR HAS NOT FALLEN OFF

When comparing currently reported flour production and wheat ground with the quantity reported for past years, it should be borne in mind that there are changes from time to time in the completeness with which the Bureau of the Census reports cover the total quantity of wheat ground and flour produced in the United States. A comparison of the quantity reported monthly by the Bureau of the Census with the quantity reported by the Biennial Census of Manufactures for the years 1923 to 1931 indicates that from 1923 to 1929 the monthly reports represent an increasing proportion of the total flour produced in the United States, whereas since 1929 the proportion of the total flour production which is included by the monthly reports has been decreasing. The advent of the processing tax, with the additional encouragement that it gives to custom milling which is exempt from the processing tax, has probably further reduced the completeness of the monthly reports to the Bureau of the Census. The increase of custom milling tends to result in a larger proportion of the flour being produced by small mills, and it is primarily small mills which do not make monthly reports. Consequently, it is probable that even though the reported output available for domestic use in November was below the 10-year average, the total output available for domestic use was fully as large as average. Similarly, even though the currently reported flour production available for domestic use during 1934 should be somewhat below the average for the corresponding months of the last 10 years, this should not be taken to indicate that there has been a decrease in the quantity of flour that is being consumed in the United States.

The elasticity of demand for wheat in foreign countries as a whole appears to be considerably greater than the elasticity of demand for wheat flour in the United States. Furthermore, the demand for wheat for feeding in the United States is far more elastic than the demand for wheat to be used for flour for human consumption. Hence, any slight decrease, such as may occur in the quantity of wheat used for flour in the United States, can be absorbed through increasing the quantity used by other countries or the quantity used for feed in the United States without any material reduction in the price of wheat.

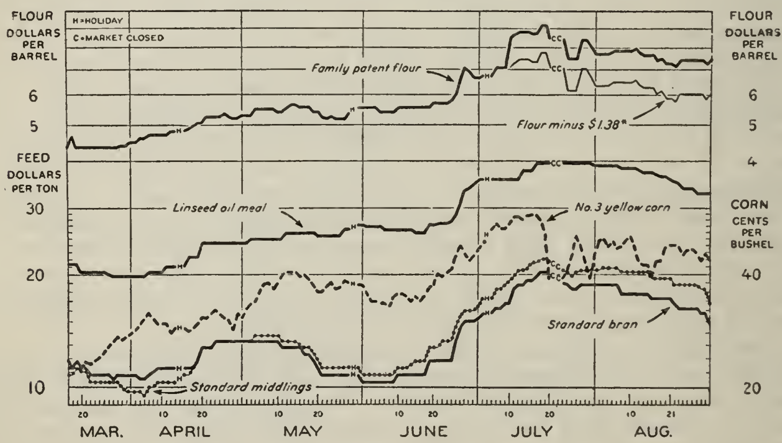
IS PART OF TAX ADDED TO BRAN PRICE?

Since a number of different products result from the process of milling wheat, there is the possibility that part of the processing tax might be passed on by millers to each of the mill products. The fact that prices of bran and middlings were advancing just before and just after the processing tax was put into effect makes it difficult to tell from a mere inspection of the prices of these products whether or not the processing tax may have contributed to the rise of their prices. For example, at Minneapolis on July 5 spring wheat bran was quoted at $15.75 per ton. On July 11 it was quoted at $16.75,

and on July 18 at $19.50. Similarly, the price of Standard middling was quoted at $16.75 on July 5, $18.25 on July 11, and $21.75 on July 18. However, as shown by table 19, when these prices per ton are converted to terms of the prices of the quantity of bran and middling which would result from milling 1 bushel of wheat, it becomes evident that such increases could contribute but little toward paying the processing tax, even though it is assumed that they were due entirely to the processing tax. At Minneapolis the price of 9.6 pounds of bran increased from 7.6 cents on July 3 to 9.4 cents on July 18, an increase of 1.8 cents. Similarly, the value of 8.4 pounds of middlings increased from 7 cents to 9.1 cents, an increase of 2.1 cents. Hence, the increase in the price of the offal obtained from milling a bushel of wheat was less than 4 cents from July 3 to July 18 as compared with a processing tax of 30 cents per bushel on wheat which was applied July 9.

Furthermore, indications are that the increase in the price of bran and middlings which actually did occur during the first half of July

Chart 32.—Feedstuffs and Flour: Price at Minneapolis, March 16 to August 31, 1933



*$1.38 IS THE APPROXIMATE PROCESSING TAX ON WHEAT NECESSARY TO MAKE 1 BARREL OF FLOUR

Chart 32.—From June to mid-July the price of bran and middlings rose along with prices of other feedstuffs, such as linseed oil meal and corn. The processing tax did not result in a marked increase of bran and middling prices as compared with other feeds, while it did result in a marked increase in flour prices as compared with feed prices.

was not due to the imposition of the processing tax. This increased price of bran and middlings accompanied the increasing price of other feedstuffs, such as corn and linseed meal, and the relative increase was about the same. The price of flour, on the other hand, increased much more than did the price of wheat or the price of bran or middlings. Prices of bran as compared with prices of other feedstuffs and flour are shown on a ratio scale in chart 32 which provides a means of comparing relative price changes.

The price of flour increased much more than did the price of wheat or other feedstuffs, but through July the price of flour minus the processing tax moved in unison with the price of wheat, as might have been expected of the price of flour if there had been no tax. This is shown by charts 28 and 32.

ENTIRE TAX ADDED TO PRICE OF FLOUR

It consequently appears that the entire processing tax has been passed on to the wholesale price of flour. But there remains the question of whether the increased price of flour at wholesale has been passed on through the marketing channels to the consumer, who buys at retail. This may be found by comparing either the retail price of flour with the wholesale price of flour, or the retail price of flour with the wholesale price of wheat. Table 5 shows the monthly margin between the retail price of 42.6 pounds of flour (the average amount obtained from 1 bushel of wheat) and the farm price of 1 bushel of wheat. There was a gradual downward trend in the margin from January 1931 to July 1933. Until March this downward trend was apparently due primarily to declining marketing costs which accompanied the falling price level and the business depression. The extremely low margin for the months April to July, on the other hand, was due to the fact that retail flour prices rose somewhat less rapidly than did the price of wheat and the wholesale price of flour. For the months August to December 1933 the margin averaged 135 cents compared with 94.5 cents and 101.1 cents in the corresponding months of 1932 and 1931, respectively. This margin then increased by more than the amount of the processing tax. Presumably the processing tax itself was responsible for at least 30 cents of the increase in the retail price of 42.6 pounds of flour.

Somewhat similar results are obtained from a comparison of the farm price of wheat with the retail price of bread. The cost of wheat, or even of flour at wholesale, is a relatively minor item in the cost of bread at retail. Consequently, there is a less close correspondence between the amount of the processing tax and the increase in the margin between the price of wheat at retail, and there is also more of a lag between the price of bread and of flour at wholesale than between the price of flour at retail and at wholesale. The difference between the price of the bread made from the flour of 1 bushel of wheat and the price of the wheat has nevertheless increased by much more than 30 cents since the imposition of the processing tax. The increase in excess of 30 cents probably was not due, however, to pyramiding of the processing tax. The margin between wheat prices and retail bread prices was abnormally low just before the imposition of the tax. Bread prices had not yet increased enough to cover the increased cost of bread ingredients. After the tax went into effect the prices of several bread ingredients rose and also wage rates and other costs increased.

The discussion thus far has been in terms of the effect of the processing tax upon the price of wheat and wheat products, on the assumption that no change is occasioned by the tax in the rate of production or in the supply of wheat. The processing tax itself would affect wheat production only through its effect on the price of wheat. Since it has been shown that the processing tax has had little or no tendency to lower wheat prices in the United States, it could have virtually no effect on the production of wheat in the United States unless combined with an acreage-control program. Therefore, the conclusion as to the effect of the processing tax upon the prices of wheat and wheat products is not altered when one takes account of the possible effect of the tax itself upon wheat production.

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EFFECT OF ENTIRE WHEAT PROGRAM

There is, however, another aspect of the relationship between the processing tax and wheat production which needs attention. Though the wheat processing tax itself would have no significant effect upon production, the entire wheat program, of which the processing tax is a part, is designed to reduce wheat production. Insofar as this program is dependent upon the processing tax for its result, it may be said that whatever effect the entire program has upon the price of wheat and wheat products is an indirect result of the processing tax. We consequently may turn to a consideration of the effect which the wheat adjustment program has had upon wheat prices and upon the prices of wheat products.

The wheat program itself has caused wheat prices in the United States to be higher than they otherwise would have been during the current crop year. Perhaps the best evidence of this fact is to be

Chart 33.—Wheat: Spread Between United States Farm Price and Price of British Parcels Related to United States Exports (Year Beginning July)

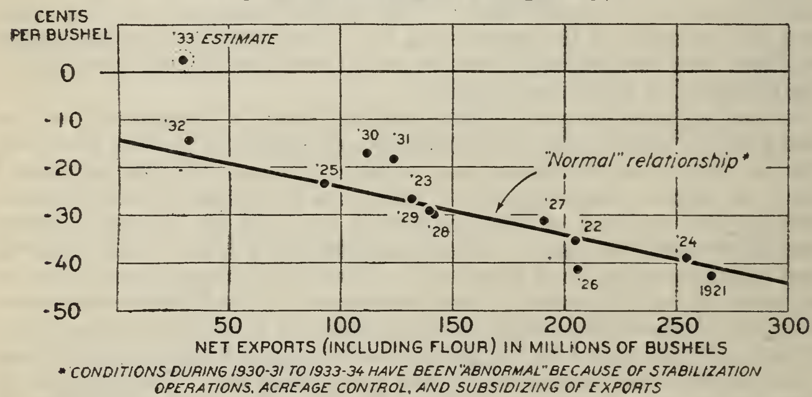

CHART 33.—Ordinarily the spread between wheat prices in the United States and Great Britain is very closely related to the amount of wheat which is exported from the United States. In 1933–34, however, the United States farm price was close to 20 cents per bushel higher than normal in view of the volume of exports and the level of prices in Great Britain. This high level was due largely to efforts of acreage control and the subsidizing of exports from the Pacific Northwest. The relatively high level in 1930–31 and in 1931–32 was due primarily to the operations of the Grain Stabilization Corporation.

found in a study of the relationship between exports of wheat from the United States, and the price of wheat in the United States as compared with its price in Great Britain. Chart 33 shows this relationship graphically for the years 1921 to date. It will be noted that with these exceptions, the current year, 1930–31, and 1931–32, the price spread has been very closely correlated to the quantity of wheat exports. In 1930–31 and 1931–32 United States prices averaged about 8 cents higher than they ordinarily would have been expected to average considering the quantity of wheat exports. In the current season prices to date indicate that the United States farm price will average about 20 cents per bushel higher than would normally be expected in view of the volume of exports. The higher prices in 1930–31 and 1931–32 were due primarily, at least, to the stabilization operations conducted by the Federal Farm Board which held prices

in the United States abnormally high relative to prices in the world market.

WHY UNITED STATES PRICES ARE ABOVE WORLD LEVEL

In the current season the abnormally high level of wheat prices in the United States compared with the world market is due partly to the volume of exports. Prices, however, are abnormally high even when the small volume of exports is considered, and this is apparently due to several factors: (1) The prospect of acreage reduction with its consequent possibility that the United States in future years may produce little wheat for export; (2) the subsidizing of exports which has allowed the maintenance of a relatively high level of wheat prices in the United States in spite of the need of exporting considerable quantities from the Pacific Northwest; (3) the expectation of inflation in the United States, which at times has been of importance in maintaining United States prices above those of foreign markets; and finally (4) the short crops of field grains.

The principal effect of dollar depreciation upon wheat prices was to increase both domestic and foreign quotations when they are measured in terms of United States currency. Nevertheless, as long as speculators were expecting further depreciation of the dollar there was some tendency for them to bid up wheat prices more rapidly than the dollar depreciated. This is illustrated by the course of speculative commodity prices in the United States as compared with the price of gold. Beginning in March, the index of the price of six speculative commodities advanced much more rapidly than did the price of gold; it reached its peak on July 17. Speculative commodities then declined in price while the price of gold continued to rise, and since early October the index of the price of six speculative commodities has not been as high relative to February 1933 as has the price of gold. This indicates that since early October the expectation of further depreciation of the dollar has probably not been of importance in maintaining prices of speculative commodities like wheat.

PART OF DIFFERENTIAL DUE TO PROGRAM

Just how much of the 20 cents per bushel (by which the United States farm price has been above its normal relationship to prices in Great Britain in view of the volume of exports) may be attributed to the wheat program and how much to monetary measures or other unusual circumstances is consequently uncertain. But it seems reasonable to assume that between one half and three quarters of the increase as compared with the normal is due to the wheat program rather than to dollar depreciation or other factors. Consequently, we may assume that because of the wheat program, of which the processing tax is a part, the farm price of wheat in the United States has been about 10 to 15 cents per bushel higher than it would otherwise have been. Practically all of this increase in wheat prices has been reflected, of course, in increased prices for flour, as was the case with the increased cost of flour production due to the processing tax.

The final effect of the wheat program upon the price of wheat cannot be determined at the present time. It is still uncertain just how much the acreage will finally be reduced and how much wheat prices will be benefited in the long run by acreage reduction and the other features of the wheat program.

TABLE 19.—*Flour, feed, and wheat: Prices at Minneapolis*

Date	Mill products: Prices in units usually quoted: Flour, Standard Spring Patent	Bran, Spring	Middlings, Standard	Mill products: Prices in terms of amounts produced from 1 bushel of spring wheat: Flour	Bran	Middlings	Total value of products	Wheat No. 1 Dark Northern Spring, 13 per cent protein	Margin (total value of products minus value of wheat)
	Dol. per bbl.	*Dol. per ton*	*Dol. per ton*	*Ct. per 42 lb.*	*Ct. per 9.6 lb.*	*Ct. per 8.4 lb.*	*Ct. per 60 lb.*	*Ct. per bu.*	*Ct. per bu.*
1932									
Jan. 5	4.52	12.25	12.25	96.9	5.9	5.1	107.9	70.2	37.7
Feb. 2	4.62	11.25	10.75	99.0	5.4	4.5	108.9	74.2	34.7
Mar. 1	4.52	12.25	11.75	96.9	5.9	4.9	107.7	72.4	35.3
Apr. 5	4.42	13.25	12.75	94.7	6.4	5.4	106.5	67.9	38.6
May 3	4.32	12.50	12.50	92.6	6.0	5.2	103.8	64.1	39.7
June 7	4.30	9.00	8.50	92.1	4.3	3.6	100.0	59.9	40.1
July 6	4.08	7.50	7.88	87.4	3.6	3.3	94.3	57.8	36.5
Aug. 2	4.18	8.50	9.25	89.6	4.1	3.9	97.6	53.1	44.5
Sept. 6	4.28	8.25	8.75	91.7	4.0	3.7	99.4	60.6	38.8
Oct. 4	4.08	8.00	8.25	87.4	3.8	3.5	94.7	56.9	37.8
Nov. 1	3.72	7.62	7.62	79.7	3.7	3.2	86.6	49.0	37.6
Dec. 6	3.85	7.75	7.75	82.5	3.7	3.5	89.5	48.8	40.7
1933									
Jan. 4	3.60	7.50	7.25	77.1	3.6	3.0	83.7	45.4	38.3
Feb 7	3.75	8.50	8.00	80.4	4.1	3.4	87.9	48.6	39.3
Mar. 7	4.10	11.50	11.00	87.9	5.5	4.6	98.0	-------	-------
Apr. 4	4.20	10.25	9.25	90.0	4.9	3.9	98.8	57.6	41.2
May 2	4.88	13.00	13.00	104.6	6.2	5.5	116.3	74.5	41.8
June 6	4.88	10.25	10.50	104.6	4.9	4.4	113.9	74.4	39.5
July 5	6.22	15.75	16.75	133.3	7.6	7.0	147.9	102.4	45.5
Aug. 1	7.30	18.25	20.25	156.4	8.8	8.5	173.7	99.6	74.1
Sept. 5	6.80	14.00	16.00	145.7	6.7	6.7	159.1	87.5	71.6
Oct. 3	7.00	13.25	14.25	150.0	6.4	6.0	162.4	88.4	74.0
Nov. 7	6.85	13.75	14.75	146.8	6.6	6.2	159.6	85.0	74.6
Dec. 5	6.68	12.50	13.00	143.1	6.0	5.5	154.6	85.9	68.7

TABLE 20.—*Flour, feed, and wheat: Wholesale prices at Minneapolis*

[Division of Statistical and Historical Research. Prices taken from the Bureau of Labor Statistics reports]

Calendar year	Mill products: Prices in units usually quoted: Flour, Standard Spring Patent	Bran, Spring	Middlings, Standard	Mill products: Prices in terms of amounts produced from 1 bushel of spring wheat [1]: Flour	Bran	Middlings	Total value of products	Wheat No. 1 Dark Northern Spring, 13 per cent protein	Margin (total value of products minus value of wheat)
	Dol. per bbl.	*Dol. per ton*	*Dol. per ton*	*Ct. per 42 lb.*	*Ct. per 9.6 lb.*	*Ct. per 8.4 lb.*	*Ct. per 60 lb.*	*Ct. per bu.*	*Ct. per bu.*
1913	4.58	18.36	19.45	98.1	8.8	8.2	115.1	87.4	27.7
1914	5.10	21.02	21.53	109.3	10.1	9.0	128.4	100.3	28.1
1915	6.66	20.04	21.60	142.7	9.6	9.1	161.4	130.6	30.8
1916	7.26	20.45	22.21	155.6	9.8	9.3	174.7	141.1	33.6
1917	11.39	32.37	36.07	244.1	15.5	15.1	274.7	232.5	42.2
1918	-------	31.82	33.66	-------	15.3	14.1	-------	219.1	-------
1919	12.00	38.90	44.74	257.1	18.7	18.8	294.6	256.6	38.0
1920	12.68	41.72	45.62	261.7	20.0	19.2	300.9	255.8	45.1
1921	8.33	17.01	16.85	178.5	8.2	7.1	193.8	146.6	47.2
1922	7.28	20.12	21.12	156.0	9.7	8.9	174.6	134.5	40.1
1923	6.38	25.55	26.56	136.7	12.3	11.2	160.2	118.1	42.1
1924	7.19	23.24	24.42	154.1	11.2	10.3	175.6	128.9	46.7
1925	8.83	24.84	26.57	189.2	11.9	11.2	212.3	160.7	51.6
1926	8.43	23.08	23.43	180.6	11.1	9.8	201.5	154.9	46.6
1927	7.43	26.86	29.13	159.2	12.9	12.2	184.3	136.9	47.4
1928	7.20	30.16	31.58	154.3	14.5	13.3	182.1	128.5	53.6
1929	6.79	26.59	27.74	145.5	12.8	11.7	170.0	127.6	42.4
1930	5.63	22.06	22.28	120.6	10.6	9.4	140.6	98.4	42.2
1931	4.58	13.10	13.05	98.1	6.3	5.5	109.9	73.9	36.0
1932	4.19	9.88	9.82	89.8	4.7	4.1	98.6	60.5	38.1

[1] On the average about 42.6 pounds of straight flour are obtained from 1 bushel of wheat. Since Standard Patent flour is slightly higher in prices than straight flour the value of 42 pounds of flour has been used and the amounts of bran and middlings have been increased accordingly. This gives an aggregate value of mill products of approximately the same as though 42.6 pounds of straight flour, 9.3 pounds of bran, and 8.1 pounds of middlings had been used.

TABLE 21.—*Wheat futures: Prices and margins, Chicago and Liverpool, July 1931 to December 1933*

[Division of Statistical and Historical Research, Bureau of Agricultural Economics]

Date	May futures		December futures		Margin (Chicago minus Liverpool)	
	Chicago	Liverpool	Chicago	Liverpool	May	December
1931–32	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
July	----------	----------	58.0	63.4	----------	−5.4
August	57.6	65.1	52.7	58.6	−7.5	−5.9
September	53.7	61.7	49.2	55.9	−8.0	−6.7
October	56.3	61.1	51.9	56.5	−4.8	−4.6
November	64.1	68.2	59.9	62.4	−4.1	−2.5
December	57.0	58.0	54.1	52.5	−1.0	1.6
January	58.0	55.9	----------	----------	2.1	----------
February	60.3	58.4	----------	----------	1.9	----------
March	57.7	58.1	----------	----------	−.4	----------
April	57.1	58.0	----------	----------	−.9	----------
May	55.9	58.3	62.7	63.3	−2.4	−.6
June	----------	----------	55.7	56.2	----------	−.5
1932–33						
July	----------	----------	52.6	54.4	----------	−1.8
August	60.5	----------	55.9	56.9	----------	−1.0
September	60.1	----------	54.9	58.0	----------	−3.1
October	54.0	----------	48.6	54.4	----------	−5.8
November	48.3	----------	43.5	50.6	----------	−7.1
December	46.8	48.2	44.2	47.6	−1.4	−3.4
January	47.8	49.1	----------	----------	−1.3	----------
February	47.5	47.7	----------	----------	−.2	----------
March	51.8	47.6	----------	----------	4.2	----------
April	62.2	50.4	----------	----------	11.8	----------
May	71.5	59.2	76.1	64.3	12.3	11.8
June	----------	----------	83.4	68.4	----------	15.0
1933–34						
July	110.4	----------	106.2	83.3	----------	22.9
August	99.6	----------	95.6	73.3	----------	22.3
September	95.0	76.7	90.7	72.0	18.3	18.7
October	87.7	69.2	84.1	64.3	18.5	19.8
November	90.4	74.5	87.0	68.7	15.9	18.3
December	85.3	69.0	82.7	63.7	16.3	19.0

TABLE 22.—*Wheat: Prices and margins, Minneapolis and Winnipeg, New York and Buenos Aires, July 1930–December 1933*

[Division of Statistical and Historical Research, Bureau of Agricultural Economics]

Date	Price per bushel		Margin Minneapolis over Winnipeg	Price per bushel		Margin New York over Buenos Aires
	No. 1 Dark Northern Spring Minneapolis [1]	No. 3 Manitoba Northern Winnipeg		No. 2 Hard Winter export at New York	Buenos Aires near futures	
1931–32	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
July	65.4	49.1	16.3		44.5	
August	65.8	46.0	19.8	61.2	40.2	21.0
September	70.8	43.2	27.6	61.8	39.0	22.8
October	71.9	44.9	27.0	+64.5	43.8	20.7
November	80.2	52.0	28.2	73.1	49.3	23.8
December	73.9	43.0	30.9	68.9	41.8	27.1
January	77.0	43.6	33.4	70.0	41.4	28.6
February	76.6	47.9	28.7	71.2	44.9	26.3
March	72.0	49.3	22.7	68.3	47.5	20.8
April	73.2	49.5	23.7	69.5	47.6	21.9
May	71.7	49.2	22.5	70.4	49.1	21.3
June	63.9	42.6	21.3	64.3	47.1	17.2
1932–33						
July	59.0	43.4	15.6	−59.5	45.9	13.6
August	59.4	45.7	13.7	62.4	48.3	14.1
September	58.9	43.4	15.5	62.4	48.2	14.2
October	54.2	41.3	12.9	62.9	46.0	16.9
November	50.5	38.0	12.5	+60.5	41.3	19.2
December	48.7	32.5	16.2	61.0	37.9	23.1
January	50.9	35.0	15.9	62.5	36.5	26.0
February	50.1	35.2	14.9	62.9	35.3	27.6
March	54.1	38.2	15.9	−67.5	35.6	31.9
April	65.7	43.1	22.6	78.4	36.9	41.5
May	75.7	52.7	23.0	89.8	44.7	45.1
June	80.8	57.1	23.7	94.3	46.9	47.4
1933–34						
July	106.9	74.5	32.4	119.0	63.0	56.0
August	92.0	65.4	26.6	109.2	58.0	51.2
September	89.9	61.0	28.9	104.9	58.3	46.6
October	84.7	54.4	30.3	99.8	52.7	47.1
November	87.0	60.0	27.0	104.1	56.6	47.5
December	83.6	54.7	28.9	101.3	50.9	50.4

[1] Weighted average price of reported cash sales.

TABLE 23.—*Wheat flour: Margin of retail price of 42.6 pounds over farm price of 1 bushel of wheat, 1931 to date*

[Division of Statistical and Historical Research, Bureau of Agricultural Economics]

	1931	1932	1933
	Cents	*Cents*	*Cents*
January	111.3	96.5	90.6
February	111.7	96.6	91.2
March	107.8	92.1	93.3
April	102.7	93.2	87.3
May	97.7	93.9	85.8
June	105.7	99.0	86.1
July	117.1	100.7	83.5
August	109.4	93.6	129.8
September	104.9	94.7	138.7
October	104.5	97.5	139.7
November	90.1	95.0	133.5
December	96.5	91.9	133.2
Average, January–December	105.0	95.4	107.7
Average, August–December	101.1	94.5	135.0

Flour price used in computation is United States average retail price as reported by the Bureau of Labor Statistics, wheat price is United States average as reported by Bureau of Agricultural Economics.

II. PROCESSING TAX ON COTTON

As in the case of wheat, it was expected that the processing tax on cotton would be absorbed in the channels of distribution.

Summarizing the results of the tax alone, without considering the effects of the cotton adjustment program and making no allowance for benefit payments, these conclusions have been reached:

1. Considering the period August to December as a whole, the first 5 months after the tax went into effect, the cotton manufacturers have not borne the burden of the tax.
2. An analysis of the nature of the domestic demand indicates that the tax may be expected to reduce domestic consumption by 400,000 to 500,000 bales.
3. This quantity, when considered as an addition to the world supply, seems likely to reduce the world price by considerably less than 1 cent per pound. If considered as an additional quantity which must be exported each year, then the price would be depressed somewhat more than if the quantity were added to the world supply, but the decrease in price would probably still be less than 1 cent.
4. From these findings, therefore, the indications are that the major effect of the tax is to increase prices of cotton goods to domestic consumers and that only a small portion of the tax is borne by cotton growers.

Considering the cotton adjustment program it is evident that the American cotton producers, especially those who cooperated and therefore received benefit or rental payments, have been more than compensated for the small amount of the tax borne by them. To balance the slight effect of the tax on world prices, cotton producers have benefited from the adjustment program in two ways:

1. Through the removal of more than 10,000,000 acres from production, the crop was reduced by about 4,000,000 bales. This reduction caused the price of American cotton to be materially higher than it otherwise would have been and substantially increased the total income received by cotton farmers, despite the smaller quantity of cotton they had to market.
2. Cotton growers who cooperated in carrying out the adjustment program have received additional benefits which have been estimated to total about $160,000,000—about $112,000,000 of which was in the form of cash payments and about $48,000,000 in the form of profits on the cotton options that were given to the growers as part payment for reducing their acreage.

MANUFACTURERS' MARGINS

The processing tax on cotton is collected from the first processors of the cotton after it has been ginned, but this does not mean that the processors themselves (that is, the manufacturers) necessarily bear the burden of the tax. An examination of the manufacturing margin on 17 constructions of gray cloth (considered as representative of the industry) has been made to determine whether the manufacturers have borne any of the tax thus far.

Margins of cotton manufacturers are shown in chart 34 and the data are presented in detail in table 24. These margins represent the differences between the average price of 0.85 pound of 17 representative constructions of cloth (as reported in the International Textile Apparel Analysis) and the average spot price in the 10 designated markets of a pound of cotton of the grades and staples commonly used in the manufacture of these 17 cloth constructions. (It is estimated that 1 pound of cotton will make about 0.85 pound of these cloths, on the average.) The margins therefore represent charges for transportation of cotton to the mills, charges for manufacturing and selling, and profits.

There was a fairly consistent downward trend in cotton manufacturers' margins from 1925–26 to 1932–33. A few months before the processing tax went into effect on August 1, 1933, these margins began to widen and in August 1933 were greater than at any other

Chart 34.—Average Price of Raw Cotton Per Pound and of Gray Cloth per 0.85 Pound and Margin Between These Prices, 1925–26 to Date

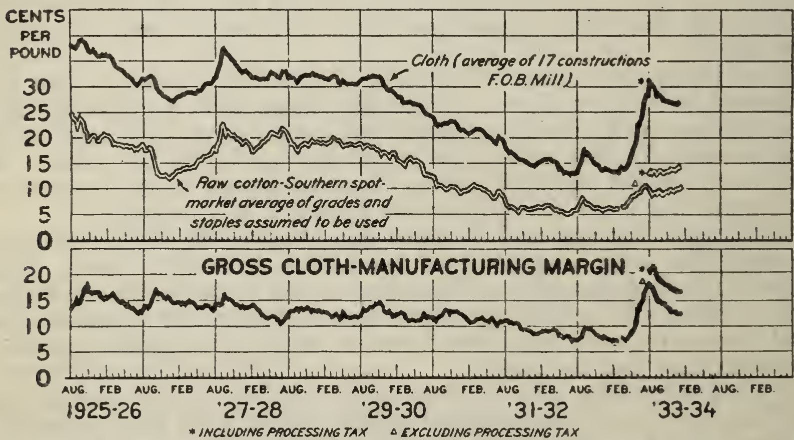

Chart 34.—Cotton cloth prices made a phenomenal advance from March to August 1933 and as a result the manufacturing margin increased to the highest levels for many years. Since August both cloth prices and manufacturing margin have declined considerably. In December and early January the margin, excluding the processing tax, was about the same as during the first half of 1929–30.

time during the period covered by the data studied. But the margins would have been increased during these months even if no tax had been imposed. This is partly because cotton mills were operating under extremely low margins during most of the 1932–33 season, partly because demand conditions made such an increase particularly easy to accomplish at that time, and partly because costs of mill operation were greatly increased at about the same time the processing tax went into effect. These conditions are briefly discussed below.

WHY MARGINS WOULD HAVE INCREASED WITHOUT TAX

Chart 34 shows that from 1929–30 to the early part of 1932–33 manufacturers' margins were almost cut in half. Although wages and other costs had been lowered considerably during these years the reduction was not enough to balance the fall in margins, and most cotton textile manufacturers made smaller profits than usual and

were anxious to increase their incomes. The opportunity came during the spring and summer of 1933 when business in general started to pick up; the demand for cotton textiles increased rapidly and an unusually large volume of unfilled orders was built up with a demand for early delivery. Part of this increased demand was probably in anticipation of higher prices expected to result from wage increases under the N.R.A. code and from increased manufacturing costs due to the processing tax. Adequate data on cotton textile sales are not available but cotton mills in the Atlanta Federal Reserve District reported their sales of cotton cloth in March 1933 at about 36 percent below those of March of the previous year. April orders, however, were 106 percent above those of a year earlier; May orders were 346 percent above; and June, 133 percent. Naturally this strong demand situation made it possible for manufacturers' margins to increase—particularly since it was known that costs would increase in the near future.

It would be difficult to estimate how much cotton manufacturers' margins would have increased under these conditions if no processing tax had been imposed. However, an estimate of how much of the increase in cotton manufacturers' margins was accounted for by increased labor costs and by the processing tax would be significant.

MARGINS REACHED HIGH POINT IN AUGUST

Labor costs have been estimated from data reported in the 1929 Census of Manufactures and data on hourly wages reported to the Bureau of Labor Statistics. In 1929 when the manufacturers' margin on the 17 constructions averaged 12.77 cents, it is estimated that about 6.61 cents went to wages and 6.16 cents remained for overhead and profits. During the depression both margins and wage rates dropped until in March 1933 the total margin was 7 cents, of which it is estimated that 4.32 cents went to wages and 2.68 cents to overhead and profits. Manufacturers' margins increased sharply from that time until they reached the high point about the middle of August, when the total margin, including the tax payment, was 22.02 cents. Since the middle of August manufacturers' margins have gradually declined until during the week of January 5, 1934, the average margin was 16.50 cents.

The manufacturers' margins, including the tax, since the summer of 1933 have been much higher than normal and were higher than any previous margins during the year studied. During this period the N.R.A. code went into effect, and there was a substantial increase in hourly wage rates in cotton manufacturing establishments. According to data prepared from reports of cotton manufacturers to the United States Bureau of Labor Statistics, wage rates in these establishments were increased 55.6 percent from the pre-code period in July to the post-code period in August, and the total increase to November was 60.9 percent. Without allowing for any increase in hourly output per worker, this would indicate that the maximum estimate of labor cost since the adoption of the code would be 7.45 cents per pound, or an increase of 2.82 cents over pre-code costs. It is probable that, considering the whole period from August to November, the actual increase in labor costs was somewhat less than this because of increased output per worker. The processing tax payment is the equivalent of about 4 cents a pound of raw cotton,

gross weight. Therefore, if wage costs are estimated at 7.45 cents, the overhead and profit margins since the adoption of the code and the imposition of the processing tax can be estimated by subtracting 11.45 cents from the manufacturers' total margin. After such an allowance is made for the tax payment and for increased wage rates, it is estimated that in August 1933 the manufacturers' overhead and profit margin was more than 50 percent greater than that received in 1929. This wide margin could not be maintained; it has gradually declined. The average total margin during the period from August through December 1933, the first 5 months since the tax went into effect, was 18.48 cents of which 4 cents is accounted for by the tax and a maximum of 7.45 cents by labor cost, leaving an overhead and profit margin of 7.03 cents, which is considerably greater than was received in 1929. During the week ended January 6, 1934, it was estimated (on the basis of November wage levels) that the overhead and profit margin had been reduced to 5.05 cents which is 1.11 cents less than that received in 1929 but 0.73 cent above the overhead and profit margin in early March 1933. It should be borne in mind, however, that a number of costs which are included in the margins are considerably lower today than in 1929.

EFFECT OF THE TAX ON CONSUMPTION AND PRICES

Data on cotton consumption immediately preceding and subsequent to the levying of the processing tax show phenomenal increases in

Chart 35.—Cotton Consumption and Industrial Production in the United States, 1919–33

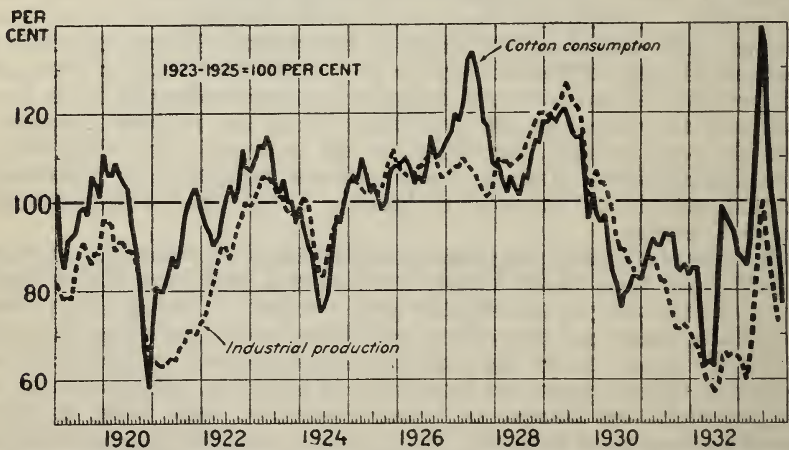

CHART 35.—Stimulated by the improved business outlook and the prospects for higher prices and increased costs during the spring of 1933, domestic cotton consumption increased by June to the highest level in history. Marked declines have occurred since that date but the rate of consumption has been materially above the low point of 1932.

domestic mill consumption of cotton from April to June 1933, and marked declines in domestic mill consumption from June to December 1933. (See chart 35.) These increases were associated with marked advances in prices of raw materials, along with the development of

a general inflationary psychology and the depreciation of the dollar in terms of foreign exchange, material improvements in business sentiment and industrial activity in the United States and in foreign countries, and prospects for increased manufacturing costs under the N.R.A. code. In conjunction with these developments were phenomenal increases in demand for textile products to build up inventories or to replenish depleted stocks, in order to take full advantage of the depreciation in the value of the dollar and of rising prices. As a result sales of textile products increased, and by June an almost unprecedented volume of unfilled orders had accumulated. These developments, plus the fact that many purchasers were asking for quick deliveries, no doubt largely explain why mill activity was increased by June to the highest levels on record. The marked decline in domestic mill consumption since June 1933 followed material decreases in textile sales and in unfilled orders after May and June 1933. Declines in sales and in domestic mill consumption were to be expected to follow the abnormally high levels reached in June. Factors in the situation, particularly since March 1933, for which no very accurate measures are available, make it practically impossible to evaluate accurately the influence of the anticipation of the tax prior to August 1, or the levying of the tax on August 1, on the monthly changes in domestic consumption of cotton.

But the available data are adequate for determining with a fair degree of accuracy the extent to which the tax may reasonably be expected to reduce the annual consumption of cotton in the United States and the probable effect of this decrease on world prices of American cotton. The extent to which the world price is lowered as a result of the tax represents the degree to which the domestic producers bear the tax, excluding the benefits derived from the adjustment program financed by the tax.

RELATION TO WORLD COTTON PRICES

From the relation of domestic cotton consumption to cotton prices and to business activity during the last 13 years, it is estimated that the processing tax, if all passed to consumers, might reasonably be expected to reduce domestic consumption for the season around 400,000 to 500,000 bales from what it would have been without the tax. From a short-time viewpoint this 400,000 to 500,000 bales might be considered as an addition of that quantity to the world supply of cotton. From the relationship between the world supply and price of American cotton, it is estimated that under present conditions an additional 400,000 or 500,000 bales added to the world supply would lower the world price considerably less than 1 cent per pound. If the tax is to be applied permanently, but production were not controlled, then the 500,000 bales or less would be added to our exportable surplus each year. Under these conditions the reduction in domestic consumption would constitute a larger burden on price than if the quantity is added to the world supply to be consumed not in 1 year but over a period of years. Even if it is assumed that the approximately half million bales is to be added to our exports each year, the world price would probably still be reduced by less than 1 cent per pound, assuming the present level of prices and a foreign exchange value of the dollar about equal to that of the last few months.

One of the important features in the effect of the tax on prices of American cotton is the fact that foreign countries consume the larger proportion of the American product and that the elasticity of demand in those countries is greater than in the United States. This means that the decreased domestic consumption due to the tax could be absorbed by foreign countries with only a small decline in the world price of American cotton. Stated another way it means that with the larger consumption in foreign countries and the greater response to price changes the additional 400,000 or 500,000 bales of American cotton could be exported each year without depressing the world price by as much as 1 cent per pound, even in the absence of production control.

TABLE 24.—*Average monthly prices of raw cotton per pound and of cloth obtainable per pound of raw cotton and the margin between these prices, 1925–26 to 1933–34*

[Division of Cotton Marketing. Bureau of Agricultural Economics]

Week ended—	Raw cotton [1]	Cloth, 17 constructions [2]	Margin [3]	Week ended—	Raw cotton [1]	Cloth—17 constructions [2]	Margin [3]
1925–26	*Cents*	*Cents*	*Cents*	1929–30	*Cents*	*Cents*	*Cents*
Aug. 1	25.31	38.37	13.06	Aug. 2	18.98	31.16	12.18
Sept. 5	22.22	37.42	15.20	Sept. 6	18.77	31.69	12.92
Oct. 3	23.14	39.36	16.22	Oct. 4	18.38	32.13	13.75
Nov. 7	19.97	36.84	16.87	Nov. 1	17.66	32.08	14.42
Dec. 4	20.30	36.89	16.59	Dec. 6	17.15	30.08	12.93
Jan. 8	20.39	35.95	15.56	Jan. 3	17.05	29.43	12.38
Feb. 5	20.46	36.39	15.93	Feb. 7	15.77	28.22	12.45
Mar. 5	18.72	35.23	16.51	Mar. 7	14.76	27.32	12.56
Apr. 2	18.74	33.57	14.83	Apr. 4	16.10	27.06	10.96
May 7	18.31	32.59	14.28	May 2	15.58	26.72	11.14
June 4	18.23	31.74	13.51	June 6	15.09	26.27	11.18
July 2	17.70	30.36	12.66	July 3	12.86	24.63	11.77
1926–27				1930–31			
Aug. 6	18.42	31.65	13.23	Aug. 1	12.32	24.13	11.81
Sept. 10	17.96	32.28	14.32	Sept. 5	10.76	22.66	11.90
Oct. 8	13.00	30.30	17.30	Oct. 3	9.92	23.05	13.13
Nov. 12	12.45	28.27	15.82	Oct. 31	10.69	23.06	12.37
Dec. 10	11.94	27.53	15.59	Dec. 5	9.97	22.76	12.79
Jan. 14	13.01	27.51	14.50	Jan. 2	9.34	21.45	12.11
Feb. 11	13.85	28.24	14.39	Feb. 6	9.99	20.89	10.90
Mar. 11	14.21	28.97	14.76	Mar. 6	10.76	21.65	10.89
Apr. 8	14.15	28.91	14.76	Apr. 3	10.22	21.72	11.50
May 13	15.51	29.33	13.82	May 1	9.48	20.56	11.08
June 10	16.35	30.54	14.19	June 5	8.20	19.51	11.31
July 8	16.84	30.63	13.79	July 3	9.83	20.40	10.57
1927–28				1931–32			
Aug. 5	17.34	31.88	14.54	Aug. 7	7.70	18.84	11.14
Sept. 2	22.21	36.44	14.23	Sept. 4	6.47	17.23	10.76
Oct. 7	21.13	36.27	15.14	Oct. 2	5.53	16.16	10.63
Nov. 4	20.80	35.19	14.39	Nov. 6	6.29	15.57	9.28
Dec. 2	19.41	33.20	13.79	Dec. 4	5.87	14.89	9.02
Jan. 6	19.48	33.27	13.79	Jan. 8	6.06	14.52	8.46
Feb. 3	17.31	31.77	14.46	Feb. 5	6.40	15.57	9.17
Mar. 2	18.59	31.73	13.14	Mar. 4	6.81	15.88	9.07
Apr. 5	19.36	31.53	12.17	Apr. 1	6.06	15.54	9.48
May 4	21.01	32.66	11.65	May 6	5.58	13.82	8.24
June 1	20.52	32.30	11.78	June 3	5.18	13.03	7.85
July 6	22.52	33.14	10.62	July 1	5.32	12.77	7.45
1928–29				1932–33			
Aug. 3	20.13	31.66	11.53	Aug. 5	5.76	13.03	7.27
Aug. 31	18.65	31.71	13.06	Sept. 2	8.52	17.77	9.25
Oct. 5	18.51	32.05	13.54	Sept. 30	7.27	16.81	9.54
Nov. 2	18.62	32.39	13.77	Nov. 4	6.12	14.78	8.66
Nov. 30	19.73	32.64	12.91	Dec. 2	5.84	13.76	7.92
Jan. 4	19.10	32.21	13.11	Jan. 6	6.14	13.74	7.60
Feb. 1	18.93	31.67	12.74	Feb. 3	5.96	13.28	7.32
Mar. 1	19.49	31.52	12.03	Mar. 3	6.04	13.04	7.00
Apr. 5	19.54	31.92	12.38	Mar. 31	6.33	13.76	7.43
May 3	18.37	31.15	12.78	May 5	8.19	17.19	9.00
May 31	18.56	30.49	11.93	June 2	9.25	22.37	13.12
July 5	18.45	30.51	12.08	June 30	10.12	25.13	15.01

See footnotes at end of table.

TABLE 24.—*Average monthly prices of raw cotton per pound and of cloth obtainable per pound of raw cotton and the margin between these prices, 1925–26 to 1933–34*—Continued

Week ended—	Raw cotton [1]		Cloth, 17 constructions [2]	Margin [3]	
	Without tax	Plus tax [4]	Plus tax	Plus tax	Without tax
1933–34					
Aug. 4	10.18	12.85	31.15	20.97	18.30
Sept. 1	9.33	13.33	29.10	19.77	15.77
Oct. 6	9.57	13.57	28.30	18.73	14.73
Nov. 3	9.51	13.51	27.27	17.76	13.76
Dec. 1	9.85	13.85	26.68	16.83	12.83
Jan. 5	10.52	14.52	27.02	16.50	12.50

[1] Average price of Middling ⅞-inch cotton in 10 southern markets plus average grade and staple premiums (or minus discounts) in 6 southern markets as follows: For print cloths and sateens, Strict Middling 1-inch premiums; for sheetings and twills, Middling 15/16-inch premiums; 1 drill Strict Middling 15/16-inch premiums; and ducks, Strict Low Middling discounts; no premiums or discounts for other constructions.
[2] Average prices per 0.85 pound (i.e. allowing 15 percent tare and waste) of 17 constructions of cloth including 6 print cloths, 3 sheetings, 4 drills, 2 ducks, 1 twill, and 1 sateen. Computed from the average gray cloth prices per yard (f.o.b. mill) quoted in the International Textile Apparel Analysis.
[3] Difference between the prices of cotton cloth and raw cotton.
[4] At the rate of 4 cents per pound gross weight.

III. PROCESSING TAX ON HOGS

The relation of the processing tax to hog prices and to the broader results of the program which the processing tax makes possible is somewhat more complicated than in the case of cotton and wheat. In part this is due to the rather complex adjustment program that embraces both hogs and corn. In part, also, this arises from the fact that when general business conditions remain relatively stable, consumers tend to spend about the same amount of money irrespective of quantity consumed, paying higher prices when supplies are light, and lower prices when supplies are abundant. This is in sharp contrast to the price possibilities in the case of cotton and wheat where consumers may spend a larger amount of money for smaller supplies than for larger. The significance of this basic difference in the nature of demand is that the chief gain from a processing tax in the case of hogs arises from the lower aggregate costs of producing and marketing a smaller volume for which the consumers tend to pay as much as they do for a larger volume. Further, because of the wide spread between prices of live hogs and retail prices of equivalent products, a reduction in slaughter of about 10 percent is usually accompanied by a rise in farm prices of about 20 percent, giving farmers a greater return for a smaller volume. For wheat and cotton, consumers will pay higher prices without a compensating reduction in volume, so that a processing tax can be largely passed on to consumers in about the same way as is a rise in domestic prices due to a shortage in foreign production; but in the case of hog products, consumers faced with a rise in price tend to curtail their purchases and probably turn to substitute commodities.

TWO DISTINCT PERIODS

Between October, when the processing tax for November 1 of 50 cents per 100 pounds was announced, and the first half of February, when the processing tax was raised to $1.50, there were two distinct

periods characterized by great differences in supplies. The first extended to the middle of January, the 4-month period that had to elapse before the emergency pig-killing program of September 1933 could begin to affect market supplies—and the 4 weeks to the middle of February, when sharply curtailed supplies took place. During the first part of this period the hog markets had to contend with unusually heavy storage stocks of pork and other food products, and with increased volumes of marketings. Thus, the monthly volume slaughtered at 8 centers during November and December was about 2,100,000 head compared with about 1,500,000 in September and October, and contrasted with about 1,700,000 head per month in November and December 1932. At these same markets the slaughter in January 1934 was about 2,900,000 head compared with 2,500,000 in January 1933. In the face of these heavy supplies which came to market as a result of breeding and feeding operations before the adjustment program was undertaken, prices at Chicago declined from $4 for the week of November 3 to $3.18 for the week of December 22, contrasted with only a moderate decline in the same period a year earlier. But for the week ending February 9 the slaughter of these 8 markets fell to only 300,000 compared with 400,000 a year ago and prices rose to an average of $4.20 and to even higher levels during the following week. This, including the $1.50 processing tax, represents a cost of hogs to packers of nearly $600. During February it may therefore be said that hog farmers were enjoying the favorable effects of a sellers' market brought about by the emergency and relief hog-purchase programs, in contrast with the disadvantages of a buyers' market last November and December when farmers were shipping large volumes of hogs to the packing houses.

PRICE AND MARGIN CHANGES SUMMARIZED

The changes in hog prices and margins may be summarized as follows:

Just prior to and following the imposition of the processing tax, wholesale margins were much greater than those that had prevailed prior to the tax announcement. In the face of increased supplies, these margins were not maintained, and after a time they were forced back to previous levels, with the tax added. The advance in hog prices at the end of January 1934 at first greatly reduced wholesale margins, but these were restored by the middle of February to a somewhat lower level than prevailed during the preceding September before the processing tax was imposed. Retailers' margins since the tax was imposed have been somewhat narrower than those that had prevailed in the early fall, but the evidence is not conclusive that this reduction in the retail margin was definitely related to the imposition of the tax. Increased competition from greatly expanded supplies of beef may have been a contributing factor. Furthermore, the margin during the summer months had been increased more than the usual amount in relation to that prevailing earlier in the year. The decrease in the margin in the last quarter may have been a readjustment which brought the margin back to its usual relationship.

An examination of hog prices, and of wholesale and retail composite prices of hog products and of wholesalers' and retailers' margins on these products, table 25, shows that these prices and margins have distinct seasonal characteristics. There is usually considerable varia-

tion in the occurrence of the high and low points from year to year, but on the average, hog prices and wholesale prices of hog products are lowest in December and highest in September, and retail prices are lowest in February and at their peak in September. During their upswing from the December lows, hog prices at first advance more rapidly than do wholesale prices, with a result that the wholesale margin is reduced, and when prices decline after their September highs, hog prices drop more rapidly than do wholesale prices of product, with a result that the margin increases. On the average, the wholesale margin is smallest in March and greatest in November.

The behavior of the retail margin is very similar to that of the wholesale margin. During the period of the upswing in wholesale and retail prices from February to September, wholesale prices usually rise more rapidly than do retail prices and this causes the retailer's gross margin to narrow. On the average, this margin is smallest in July and September. When prices move downward during the last quarter of the year the wholesale price usually drops more rapidly than does the retail price and this causes the retailer's margin to widen, and it usually reaches its greatest proportions in December.

SEASONAL AND NONSEASONAL TRENDS

During the early part of 1933 hog prices and wholesale and retail prices of hog products followed the usual seasonal trends, as given in tables 25 and 26 and chart 37. During the period from May to August, however, the movements were somewhat contrary to the usual movements. Hog prices rose sharply in May and then gradually declined until early September. Then another advance occurred which continued into early October, when the usual seasonal decline got under way.

The movement of wholesale prices of hog products was somewhat similar to that of hog prices except that wholesale prices did not make the sharp rise in May that occurred in hog prices, and they did not decline from mid-October to the end of the year to the same extent as did hog prices. The result was that the wholesale margin from May to mid-October was relatively small in relation to that of January to April. It widened after the announcement of the processing tax on October 17, and in December it was relatively wide in relation to that of the other months of the year.

Retail prices during the first 5 months of the year, as previously stated, also followed the usual seasonal trend, but after May the rise was greater than average, while that of wholesale prices was less than average. The result was that during the period July to October the retail margin on hog products widened in relation to that of the other months of the year. The usual tendency during this period is for the retail margin to decrease. The seasonal decline in both the retail and wholesale prices after September was much less than average. This was especially true in the case of wholesale prices. The October average of wholesale prices was only slightly lower than that of September and the November average was higher than that of both September and October. Although wholesale prices of December were lower than those of November they were high in relation to those of September and October. This unusual wholesale and retail price movement during the last quarter resulted in a reduction in the retailer's margin in November from that in October and September,

whereas ordinarily it increases during this month. This reduction of the margin in November, however, resulted in bringing the margin back to the same relationship to the 10-year average as existed from January to June. In other words, the retail margin during the 4 months, July to October, was relatively high in relation to the other months of the year when compared with the 10-year average, 1924–33. The wholesale margin, however, was relatively small during the period May to November in relation to the other months, when compared with the 10-year average.

DID PROCESSING TAX REDUCE RETAIL MARGINS?

The significant points in the foregoing discussion of changes in prices of hogs and hog products and in the margins of wholesalers and and retailers during 1933 are that the changes prior to the imposition of the tax were abnormal as compared with the 10-year averages and that in October and November there was a pronounced tendency for the retail margin to shift back to the relationship that prevailed early in the year. But there is no assurance that the changes that occurred in the retail margin after the imposition of the processing tax are definitely related to the tax. It is quite possible that the failure of retail margins to rise as much as usual in November and December was due largely to the fact that wholesale prices of pork products dropped less than they usually do at that time. The usual apparent increase in the retail margin toward the end of the year is probably due to the fact that several weeks may elapse between the time the retailer buys pork at wholesale and the time he sells it at retail. The unusually large supplies of both pork and beef in November and December 1933, may also have tended to prevent the usual seasonal increase in retail pork margins. Thus, although it is possible that the processing tax may have tended to reduce retail margins somewhat, that cannot be accurately determined from the November and December price data alone. The quotations in the next few months may throw more light on this question.

In analyzing the changes in the wholesale margin to determine the possible effect of the processing tax, consideration has been given to two distinct kinds of wholesale margins. One of these is the spread between the price of hogs and the wholesale market value of hog products in the fresh state. This value is commonly known as the "green" value. It is a common practice for meat packers to trade in fresh hog products and a broad market for such trading exists in Chicago. Using the daily price quotations of this market, the value of all the products obtained from 100 pounds of live hog has been computed, and in chart 36 this value is shown in comparison with daily hog prices from September 5, 1933, to early January 1934. This chart also shows the total weekly Federally inspected hog slaughter, and the daily spread between hog prices and green-product values.

The other wholesale margin is the spread between the wholesale value of the products in the fresh state and the value of the same products in the form that they are sold to the retail trade. The sales to retailers are usually in less-than-carload lots and the products are in the finished state; that is, hams, bacon, and picnics are mostly cured and smoked. This wholesale margin in sales to retailers may be designated as the curer's margin.

Chart 36.—Daily Wholesale Value of Hog Products (Fresh Basis) and Price of Live Hogs (180–200 lb.), Chicago, September 1933 to February 1934

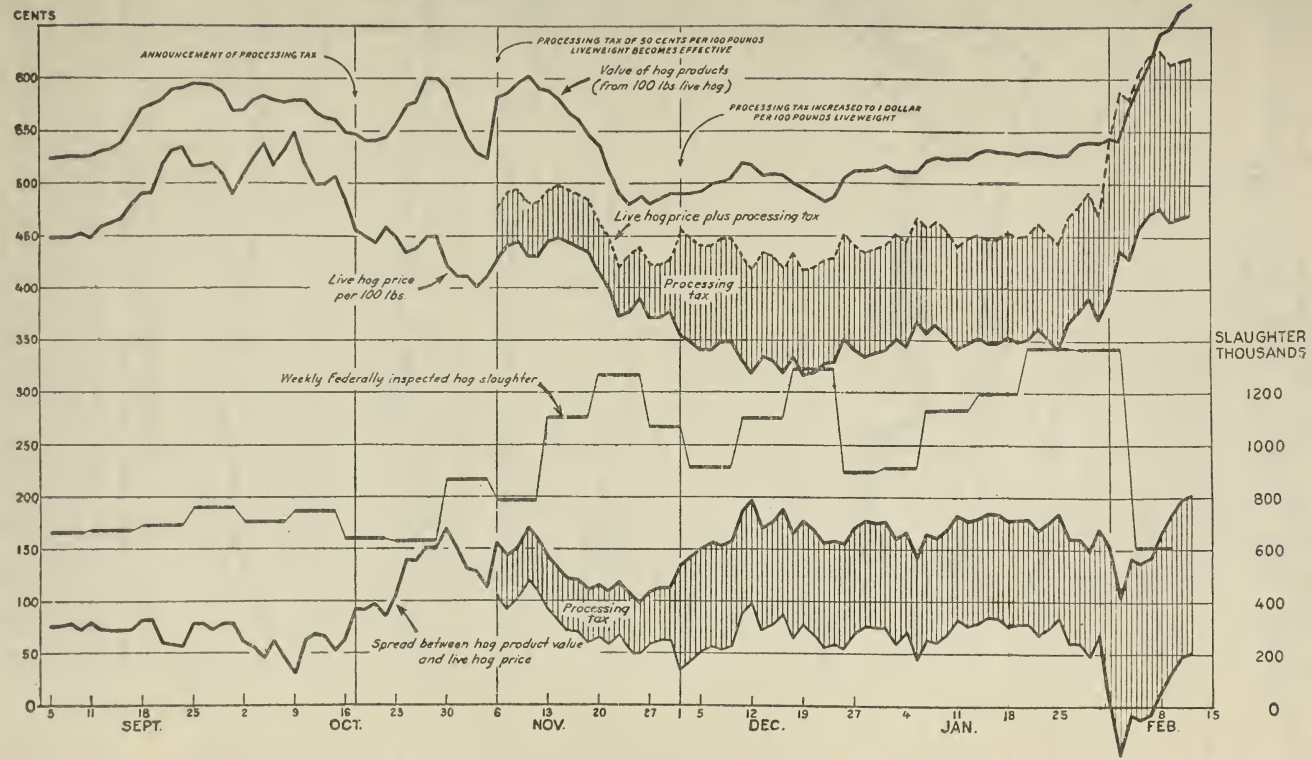

CHART 36.—During the last 4 months of 1933, hog prices and wholesale prices of hog products declined seasonally, but the relationship between hog prices and hog product values was greatly changed as a result of the imposition of the hog processing tax which became effective November 5.

Chart 37.—Hog Prices and Wholesale and Retail Values of Principal Hog Products, and Gross Wholesale and Retail Margins, Chicago, 1933

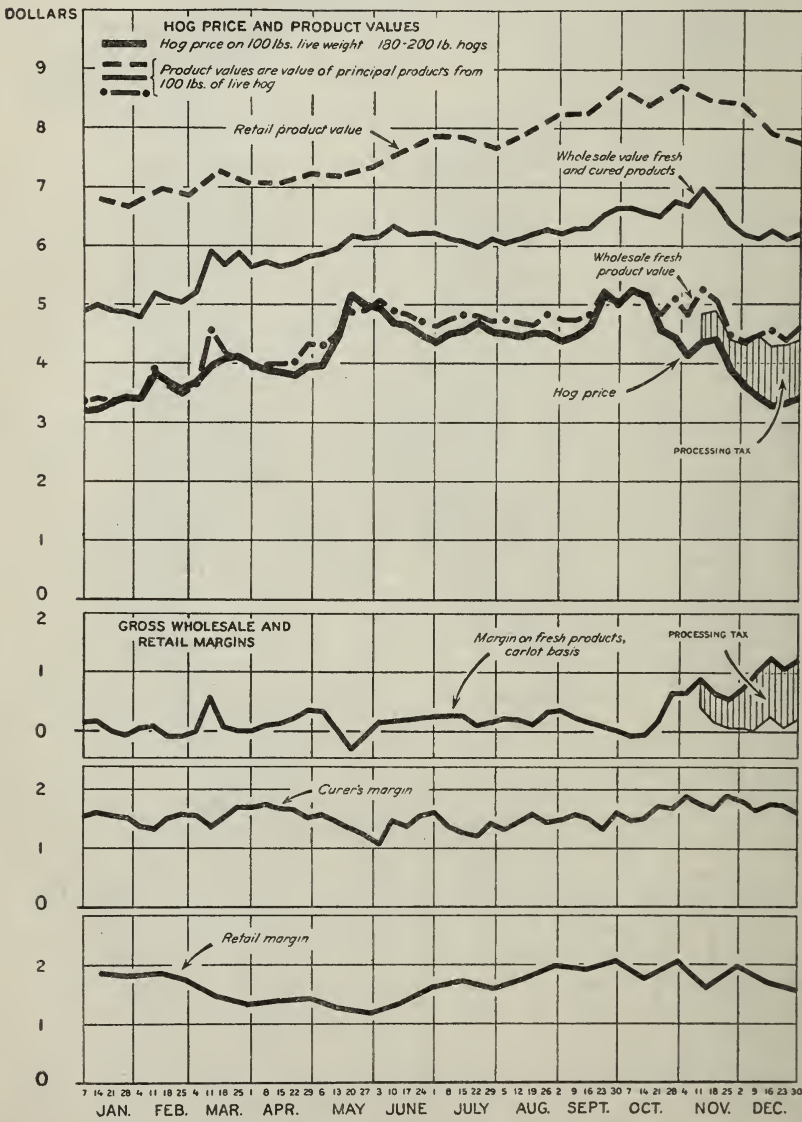

Chart 37.—Following the announcement of the hog processing tax on October 17, 1933, which became effective November 5, the spread between hog prices and the wholesale value of fresh products widened. The increase in this spread after the tax went into effect on the average was about equal to the amount of the tax and when the tax was raised on December 1, from 50 cents to $1 per 100 pounds live weight, the spread likewise increased about the same amount. The spread between the wholesale value of fresh products and that of cured products, however, changed very little. The retailer's margin decreased slightly but this may have been due in part to factors other than the tax.

SPREAD WIDENED BY AMOUNT OF THE TAX

Chart 37 shows average weekly hog prices at Chicago during 1933 in comparison with the two wholesale values of the principal products and the retail value of these products, together with the three margins (retail, curer's, and slaughterer's margin on fresh products). On the average, the wholesale car-lot value of the principal hog products, green basis, at Chicago is not greatly different from the Chicago market value of 100 pounds of live hogs. The two values move closely together and the difference between them is usually very small. Upon the announcement of the hog processing tax on October 17, the spread between these two values began to widen, and in a very short time it was about equal to the tax imposed. When the tax was increased on December 1 from 50 cents to $1, this spread again widened to about the equivalent of the tax.

The manner in which the imposition of the processing tax was accompanied by a change in the relationship between hog prices and the wholesale value of hog products is shown in more detail in chart 36 and table 27. It will be noted that hog prices and product values had already started their seasonal decline before announcement of the processing tax was made on October 17. After the announcement of the tax, hog prices continued to decline. Product values held steady at first, but after a few days they moved upward whereas hog prices held about steady. These changes in prices widened the slaughterer's margin to about double that obtained prior to October 17, and the margin continued wide until the tax went into effect. Product prices held at the high peak point for only 2 days, and during the first week in November they declined sharply. This decline probably was caused largely by two developments: First, slaughter supplies increased sharply; second, packers probably endeavored to move as large proportion of their floor stocks into consumption as possible in order to escape the tax on these stocks. From October 30 to November 3, the composite value of products dropped 76 cents, while hog prices declined 48 cents. But the spread was still exceptionally wide.

On November 6, the first business day that the tax was effective, the product value was advanced 59 cents and hog prices 16 cents. This caused the spread to increase from $1.13 to $1.56. During the next 3 days product values were advanced 19 cents more and hog prices rose 17 cents. At this stage, the Chicago hog market was temporarily upset by the failure of buyers and sellers to reach an agreement on prices, and few sales were made between November 8 and 17. The accumulation of hogs at the market was twice reduced by purchases for Government account, on November 11 and 14, at prices above those offered by slaughterers. The prices shown for this period, therefore, are higher than those actually paid by slaughterers.

MORE THAN AMOUNT OF TAX PASSED ON TO RETAILERS

When the tax first went into effect, wholesale product prices increased by the full extent of the tax. Since wholesale margins had already become wider than had prevailed during earlier weeks, the effect was to pass on to retailers something more than the full amount of the tax. This resulted in a sharp curtailment of meat sales at the same time that market supplies of hogs were increasing rapidly. Meat prices fell even more sharply than did hog prices, and by the

end of the month wholesalers' margins, after deducting the tax, were back to their previous levels.

The rise in product values met such resistance that between November 9 and 27 they dropped a total of $1.21 on the products from 100 pounds of live hog. Hog prices did not start downward until after November 14, which was the last date that purchases of live hogs were made for Government account. From November 14 to 27, the decline in hog prices amounted to 75 cents. This decline of $1.21 in product values while hog prices were falling 75 cents, resulted in a reduction in the spread of about 75 cents, bringing it back to its earlier level.

When the processing tax was increased from 50 cents to $1 on December 1, hog product values were not advanced, but hog prices declined 23 cents on the first day and 13 cents more in the 2 days

Chart 38.—Retail Value of Consumption of Federally Inspected Pork, Including Lard, and Index of Income of Urban Consumers, United States, 1924 to Date

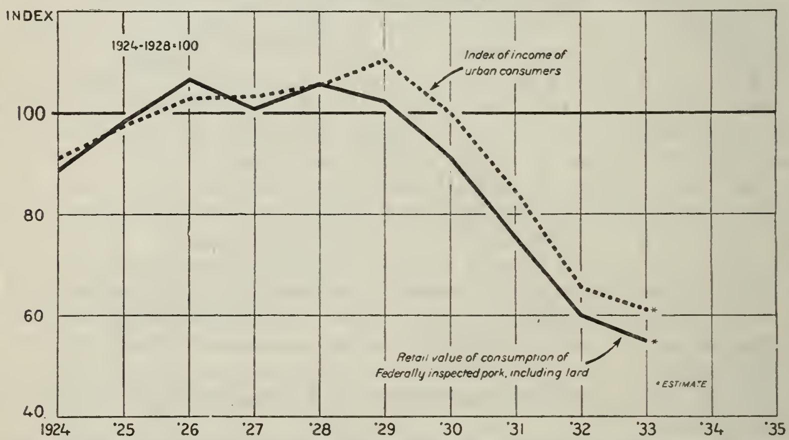

CHART 38.—Changes in the retail value of the domestic consumption of federally inspected pork, including lard, since 1924 apparently have been determined largely by changes in the level of incomes of urban consumers. Consumer expenditures for a large supply of pork and lard tend to be about the same as for a small supply if incomes of consumers remain constant. The decline in incomes of consumers from 1930 to 1932 resulted in a sharp reduction in the retail value of hog products consumed. In 1933 the income of urban consumers and consumer expenditures for hog products were only slightly lower than in 1932.

following, making a total decline of 36 cents after the tax was increased 50 cents. At the same time, the spread was increased by 30 cents.

After adjustment is made for the tax in determining the packers' margin or spread, it will be found that the spread on the date the tax became effective was about the same as that prevailing on October 23, 2 weeks prior to the date the tax went into effect. The net spread on both these dates was about $1. It held near this level for 1 week after the tax became effective and then dropped sharply in the second week to around 60 cents. It held near the 60-cent level until the tax was increased to $1, when it dropped to 35 cents. It then increased until it was up to nearly $1, and then declined irregularly back to about the level that obtained prior to October 17.

Through December, the prices of hog products trended upwards, closing the month well above the initial prices. Hog prices, on the contrary, were forced sharply downward during the first 2 weeks, widening the margin temporarily.

Available data for the last 10 years indicate, as is shown in chart 38, that with a given level of consumer incomes, consumers have tended to spend about the same amount for pork and lard regardless of the volume entering consumption channels. For the 2 months of November and December 1933, the total consumer expenditures for federally inspected pork including lard were only about as large as would have been expected on the basis of the average relationship of consumer expenditures and consumer incomes for these same months in past years. It appears that prices paid by consumers in November and December were no higher than would have been expected if the same supplies had been marketed but no processing tax had been imposed.

The processors' or packers' gross margin widened sufficiently to be about equal to the former margin plus the tax, thus indicating that the tax in these 2 months was not absorbed by processors. The retailers' gross margin was reduced slightly in November, December, and January, but it is not yet certain whether or not this reduction was to any extent a result of the processing tax.

EFFECTS IN NOVEMBER AND DECEMBER

It is to be noted that the foregoing analysis is on the basis of only 2 months. Only a part of the hog products consumed during such a short period would be produced from hog slaughter during that period. Furthermore, during November and December 1933, a much larger than usual quantity of pork was used for relief purposes. Nevertheless a preliminary analysis of the situation indicates that with the same quantity of hog products entering consumption channels during November and December, consumers paid no higher prices than they would have paid had no processing tax been in effect. Evidence now available also indicates that only a small part, if any, of the tax was absorbed by processors and distributors. It seems probable, therefore, that with the same slaughter supplies of hogs for the 2 months (if no tax had been in effect) hog prices in November and December would have been higher than they actually were.

It should be recognized that a considerable part of the decline in hog prices from mid-October through November and December was the result of the increase in slaughter supplies of hogs during this period. The increase in slaughter supplies from October to November 1933 was much greater than usual, and inspected hog slaughter in November was the largest for the month since 1924. Supplies continued relatively large in December. Slaughter of other livestock, especially cattle, also has been relatively large during recent months. As is usual for that season of the year, hog prices in November and December also were depressed by the holiday trade for poultry and other special products.

SHARP ADVANCE IN HOG PRICES

Hog prices advanced gradually during the latter part of December, and by the end of January commenced a sharp advance. This marked change in the hog markets accompanied a sharp falling off in marketings and on February 1, when the tax was raised from $1 to $1.50, Government purchases for relief purposes were increased for a period of 3 days. But market receipts continued light and prices continued to advance. The advance in live hog prices at first ex-

ceeded the rise in prices of hog products and during the interval of nearly 2 weeks, the packers' processing margin, after deducting the tax, was considerably lower than usual. But with receipts continuing light, product prices were advanced so that by the second week of February the returns from 100 pounds of live hogs had a wholesale value of $6.75 as compared with about $5.30 a month earlier, and the packers' margin was restored to about 50 cents compared with about 75 cents during the preceding September. Thus the net effect of the initial falling off of supplies due to the emergency pig slaughter of September 1933 was a rise in hog prices of about $1.25 per 100 pounds from those of January 1934, a rise in prices of hog products, and temporarily some absorption of the increased tax by processors.

ENTIRE CORN-HOG PROGRAM MUST BE CONSIDERED

The foregoing analysis was based on a comparison between the actual price of hogs during the period since the processing tax was first levied and the level of hog prices that probably would have prevailed if no tax had been in effect and if market supplies and all other factors affecting hog prices had been the same. Since the hog program is much more complex than the wheat and cotton program, it is desirable to review more comprehensively the effects of the hog processing tax on current and prospective supplies, prices, and incomes as part of the extended corn-hog program. In general it appears that participating farmers' incomes during the period from November 1933 to May 1934 and also for the balance of the corn-hog program, will be greater with the program than without it. The processing tax on hogs is the economic device that makes possible the corn-hog program, a major objective of which is the raising of hog prices through a reduction in market supplies. The production curtailment program is being financed largely by the funds derived and to be derived from the tax on hog slaughter.

The principal steps that have been taken thus far in connection with the corn-hog program are: (1) The purchase of some 6,200,000 pigs and 200,000 sows for slaughter for account of the Federal Government during August and September 1933; (2) the carrying out of the corn-loan plan, under which liberal loans have been and are being made to farmers on the basis of warehouse receipts for corn, or the equivalent of such receipts; (3) purchases of hogs and hog products now being made and contemplated, in cooperation with the Federal Surplus Relief Corporation, for distribution for relief purposes; (4) the more permanent plan of hog-production control now being initiateg by the Agricultural Adjustment Administration, which involves a reduction of 25 percent in hog production during 1934, by cooperating farmers, from the average production of such farmers and number of litters raised in 1932 and 1933.

All of these activities may affect either directly or indirectly the tonnage of hogs that have been or will be marketed during the current winter marketing season. Since the initial effects of the steps taken thus far will be spread over a period of several months, and because of the meager indications as to how these influences will be distributed from month to month, it is necessary in making the analysis to consider a somewhat longer period than that which has elapsed since the processing tax went into effect. The period selected for detailed consideration is from November 1933 to May 1934, inclusive, since

the processing tax went into effect at the beginning of this period, and the bulk of the hogs marketed or to be marketed during these months are pigs from the 1933 spring pig crop. This is also the period in which most of the pigs included in the emergency slaughter last summer normally would have been marketed.

RESULTS OF PIG-BUYING PROGRAM BEING FELT

The greatest influence of the hog production control program upon hog supplies and prices during the winter and early spring of 1933–34 is coming from the purchase of 6,200,000 pigs, weighing under 100 pounds, during August and September 1933. Most of the pigs included in this slaughter in the normal course of production would have been marketed during the first 5 months of 1934. It is recognized, however, that because of death losses, some of these pigs would never have reached market age, and it is also true that not all of such pigs reaching market age would have appeared in inspected slaughter; some of them would have been slaughtered in noninspected establishments. It has been roughly estimated that the reduction in inspected slaughter from what it otherwise would have been will be about 5,000,000 head as a result of the pig-buying program.

In considering the effect of the pig-purchase program and of other control measures upon winter slaughter supplies, it should be kept in mind that the spring pig crop of 1933 was estimated as being about 3 percent larger than that of 1932. Consequently, if no production control program had been developed, inspected slaughter during the winter of 1933–34 probably would have been larger than in 1932–33.

In view of the very short supplies of corn and other feed grains, the unfavorable ratio between hog prices and corn prices, and the relatively large spring pig crop in 1933, average weights of hogs marketed during the present winter would have been much lighter than normal if no production control program had intervened. The pig-slaughter program reduced materially the number of pigs to be marketed during the winter and it seems probably that the remaining pigs marketed would have been fed to heavier weights if no other control measure had been adopted. However, another measure which materially influences weights has been put into effect.

CORN LOANS

In November 1933 a plan for loans on corn from the Federal Government to producers was initiated. This plan provides for liberal loans on stored corn on farms and in warehouses and elevators. Security for the loan other than the stored corn is not required. Because producers must agree to participate in the hog-corn program if they wish to obtain a Government loan on corn, the corn loan plan should be considered a part of the hog-corn program.

Since in many sections the loan value of the corn has been higher than the prevailing price of corn, a relatively large number of producers have obtained such loans. The result has been to reduce the quantity of corn available for feeding hogs and other livestock and to raise corn prices. Corn prices in December were about twice as high as in that month a year earlier, and, based on farm prices, the ratio of hog prices to corn prices in the Corn Belt in December was the second lowest for any month in the 24 years that records are available. With

the relationship between hog prices and corn prices so unfavorable for hog feeding, it now seems probable that average weights of hogs marketed will be almost as light as they would have been without any of the production control measures.

In addition to the effect upon average weights of hogs marketed of the corn loan plan and the short corn crop and the resulting very unfavorable hog-corn price ratio, the very low ratio may also affect the distribution of hog marketings during the remainder of the present winter and during next summer. With the available supply of corn for feeding greatly reduced and the relationship between hog prices and corn prices unfavorable for hog feeding, it is not improbable that an earlier-than-usual market movement of fall pigs will occur. Such pigs normally are marketed largely in the summer months, but under the present situation a greater-than-average proportion of these pigs may be marketed in the late spring of 1934. No estimate of this early movement of 1933 fall pigs has been made.

PURCHASES FOR RELIEF PURPOSES

The third element affecting the winter hog-supply situation under the hog production control program is found in the purchases being made and to be made for relief purposes. Such purchases of hogs and hog products during the month of January constituted about 10 percent of the slaughter under Federal inspection. A continuation of these or similar purchases for several weeks is contemplated and the total of such hogs and/or hog products so purchased may be as large as the equivalent of the products from 1,000,000 hogs. Under the plan, the distribution of such products will be to persons who would not otherwise have consumed pork. It is doubtful whether this or any other method of distribution would result in raising prices as much as a reduction in production by a quantity equivalent to the volume of such relief purchases. Nevertheless, it appears probable that these relief purchases materially reduce the supply of pork and lard available for regular domestic consumption.

The principal effect which the more permanent plan of hog production control will have on the 1933–34 winter hog situation will be to cause slaughter supplies to be larger than they would have been if this part of the program had not been adopted. Farmers who participate in the plan for reduction of hog production in 1934 must reduce the number of litters raised by them by 25 percent. This will involve a greater reduction in number of sows and gilts to farrow in the spring of 1934 than would have occurred otherwise. Slaughter supplies of hogs during the winter, therefore, will be greater than they would have been without this feature of the program, because of the increased marketings of sows and gilts. The extent of this increase will depend largely upon the number of producers participating in the program and upon the proportion of the sows and gilts disposed of by the producers, which are sold for slaughter. No reliable estimate of this increase can be made, but it has been roughly estimated that its effect on hog prices will be offset by the reduction in supplies available for consumption which will occur as a result of the purchases of hogs and hog products for relief purposes.

REDUCTION IN SLAUGHTER OF HOGS

Summarized briefly, the net effects of various measures undertaken in connection with the hog-corn program upon the hog-supply situation during the winter marketing season of 1933–34 appear to be: (1) A reduction in inspected slaughter of hogs (the products of which will be available for regular domestic consumption) of about 5,000,000 head—this represents the reduction from the slaughter which would have occurred without the program; (2) a slight increase in average weight of hogs slaughtered over that which would have prevailed otherwise. Largely on the basis of the two estimates above the reduction indicated in total live weight of inspected hog slaughter available for regular domestic consumption from the total live weight which would have been slaughtered if no program had been adopted would be approximately 1,000,000,000 pounds. Such a reduction will be roughly equivalent to 15 percent of the total inspected slaughter for the winter season.

Based on the net relationship of Chicago hog prices and the total live weight of inspected hog slaughter for the November-to-May period during the last 13 years, a reduction in slaughter supplies of 1,000,000,000 pounds would result in a rise in the price of hogs of approximately \$1.80 per 100 pounds. On this basis, if other factors had remained constant, a decrease in slaughter supplies of 1,000,000,000 pounds from what they would have been otherwise would result in an advance in average price of hogs at Chicago for months from November 1933 to May 1934 of \$1.80 over the price which would have prevailed otherwise.

However, the imposition of the processing tax at the beginning of November 1933 and its continuance constitute a new factor in the price-supply relationship. This tax, according to the rates already imposed and increases announced to become effective later, will average about \$1.50 per 100 pounds for the period from November 1933 to May 1934. It was indicated earlier in this report that, during November and December at least, hog prices were lower than they would have been if no processing tax had been levied. It seems probable, therefore, that the presence of the tax will prevent the price of hogs for the November-to-May period from being increased as much as it otherwise would be because of the reduced supply. In other words, the influence of the reduced supply is to increase the price, while the imposition of the processing tax tends to lessen this increase. As a result hog prices during the winter season probably will average about as high as, or slightly higher than, they would have averaged had no hog production control program been initiated and had no processing tax been levied.

SAVINGS IN FEED COSTS

With slaughter supplies under the hog-corn program smaller than otherwise and with prices about the same, the direct returns to producers from the sale of hogs during the winter marketing season probably will be less with the control program than they would have been without it. But since the reduction in slaughter supplies during this period was the result of the emergency pig slaughter last summer, the returns from pigs sold for such slaughter and savings incident to feeding these pigs to market weights should be taken into account along with returns from the sale of hogs in making such a comparison.

Based on the estimates of slaughter supplies under Federal inspection and average prices of hogs at Chicago with and without the program as indicated earlier, the total amount paid by packers for inspected hog slaughter during the winter marketing season probably will be somewhat less with the control program than it would have been without it. But when the amount received by producers for 5,000,000 pigs (estimated reduction in inspected slaughter) under the emergency slaughter program last summer and the savings in feeding costs made possible by the early marketing of these pigs are taken into consideration the situation is changed materially. It is estimated that the total returns to hog producers from inspected hog slaughter and pigs sold to the Government during the period from November 1933 to May 1934 probably will be somewhat greater than returns to producers from inspected slaughter would have been without the program. Benefit payments which will be made to producers for signing corn-hog reduction contracts are not here included.

EXPORTS OF MINOR IMPORTANCE

In the consideration of the effect of the processing tax and changes in supply resulting from the hog production control program, the effect of the program on exports of hog products has been disregarded. Under the terms of the Agricultural Adjustment Act, an amount equivalent of the processing tax is to be refunded on exports of hog products. It seems very probable that temporarily, at least, the exports of these products may be larger than otherwise because of the processing tax and the rebate on exports. Because of the several complicated factors in the export situation such as import quotas, tariffs, and fluctuations in foreign exchange rates, no attempt has been made to estimate the effect of the rebate of the processing tax on the quantity of pork and lard exported and on hog prices thus far in the winter marketing season. But such effects doubtless have been of minor importance, because exports of hog products represent only a small proportion of the total quantity produced in this country.

Thus far in considering the effects of the processing tax and the production control program on hog prices, attention has been given largely to the emergency measures taken thus far under the program. These include the pig slaughter during August and September 1933, the corn loan plan, and the purchases of hogs and hog products for relief purposes. The effects of such measures on the hog situation are of immediate consequence, and some appraisal of them can be made from information now available. The emergency features, however, are only a minor part of the production control program for corn and hogs.

As already indicated, the plan for hog production control now being initiated involves a reduction in hog production during 1934 of 25 percent by cooperating farmers from their average production in 1932 and 1933. Producers who sign contracts and comply with this plan will receive an adjustment payment of $5 per head on the basis of 75 percent of their average production during the base period (1932–33). This adjustment payment is to be made in installments at stated intervals, the first installment to be made immediately following the acceptance of each producer's contract, the last to be made early in 1935. The plan also provides that cooperating producers shall reduce corn acreage in 1934, 20 percent below their average acreage for the base period. Payments to producers, amount-

ing to 30 cents per bushel on the average yield of land taken out of corn production, are to be made by the Agricultural Adjustment Administration. In order to receive adjustment payments producers must sign an agreement to reduce both hog production and corn acreage in 1934.

HOG SUPPLIES WILL BE LESS IN FALL OF 1934

Slaughter supplies of hogs during the summer months of 1934 probably will not be affected materially by the production control program, since most of the pigs to be marketed during the summer were farrowed in the fall of 1933. But if the early market movement of fall pigs, previously mentioned, should be very large, the effect of emergency pig slaughter in 1933 upon subsequent slaughter supplies might be more apparent in the summer of 1934 than during the 1933–34 winter season. It seems probable also that some of the pigs included in the emergency slaughter were farrowed in the summer of 1933 and normally would have been marketed in the early summer of 1934. The December Pig Report, recently released by the Bureau of Agricultural Economics, indicated that the fall pig crop of 1933 was about 3 percent smaller than that of 1932. This reduction apparently occurred independently of the control program. It now seems likely that inspected hog slaughter during the summer season will be somewhat smaller than the unusually large slaughter during that period in 1933.

TABLE 25.—*Hog prices [1] at Chicago, and wholesale and retail values of principal hog products [2] at New York, and wholesale and retail hog product margins; monthly 10-year averages, 1924–33, compared with averages for 1933 and January 1934*

Month	Hog price	Product value		Gross margin	
		Wholesale	Retail	Wholesale	Retail
10-YEAR AVERAGE 1924-33					
January	$8.43	$10.30	$13.56	$1.87	$3.26
February	8.72	10.25	13.20	1.53	2.95
March	9.16	10.56	13.30	1.40	2.74
April	9.00	10.62	13.47	1.62	2.85
May	8.91	10.64	13.66	1.73	3.02
June	8.93	10.76	13.67	1.83	2.91
July	9.49	11.22	13.88	1.73	2.66
August	9.66	11.64	14.35	1.98	2.71
September	9.70	11.68	14.36	1.98	2.68
October	8.99	11.38	14.18	2.39	2.80
November	8.11	10.78	13.84	2.67	3.06
December	7.79	10.11	13.47	2.32	3.36
1933 AND 1934					
January	$3.28	$5.01	$7.36	$1.73	$2.35
February	3.60	5.10	7.26	1.50	2.16
March	3.97	5.54	7.55	1.57	2.01
April	3.88	5.41	7.39	1.53	1.98
May	4.71	5.68	7.60	.97	1.92
June	4.59	6.02	8.02	1.43	2.00
July	4.66	6.01	8.31	1.35	2.30
August	4.51	6.13	8.36	1.62	2.23
September	4.83	6.27	8.65	1.44	2.38
October	4.86	6.16	8.58	1.30	2.42
November	4.14	6.38	8.46	2.24	2.08
December	3.38	5.96	8.32	2.58	2.36
1934					
January	$3.63	$5.97	$8.21	$2.34	$2.24

[1] Hog price is the mean of the daily range of quotations at Chicago on Good to Choice hogs, 180–200 pounds reported by the Livestock Market News Service of the Bureau of Agricultural Economics.

[2] Principal products are cured ham, bacon, and picnics, rendered lard, and fresh loins, Boston butts and spareribs derived from 100 pounds of live hog. Values computed by using New York wholesale and retail prices of these products as reported by the Livestock, Meats, and Wool Division of the Bureau of Agricultural Economics.

During the hog marketing year beginning November 1934, however, it is expected that slaughter supplies of hogs will be reduced as a result of the hog-corn program. Since the extent of producers' participation in the program cannot be determined until the contracts are signed, no estimate of the reduction in hog slaughter during 1934–35 can now be made. If a substantially larger reduction in hog slaughter occurs during 1934–35 as a result of the production control program than would have occurred otherwise, it is probable that total returns to hog producers will be increased thereby.

Table 26.—*Hog prices and wholesale and retail values of principal hog products in 100 pounds of live hog, and wholesale and retail gross margins, Chicago, 1933–34*

Date	Retail product value [1]	Wholesale product value in sale to retailer [2]		Retailer's gross margin [3]	Wholesale value fresh product car-lot sales [4]	Curer's gross margin [5]	Hog price [6]	Spread between hog price and—		
		Weekly	Semimonthly					Wholesale fresh product value [7]	Wholesale product value to retailers [8]	Retail value [9]
1933										
Jan. 7	$6.79	$4.89	$4.94	$1.85	3.35	1.54	$3.19	16	$1.70	3.58
14		4.99			3.39	1.60	3.22	17	1.77	
21		4.88			3.34	1.54	3.35	−1	1.53	
28	6.66	4.86	4.85	1.81	3.35	1.51	3.42	−7	1.44	3.27
Feb. 4		4.80			3.45	1.35	3.40	5	1.40	
11	6.96	5.21	5.10	1.86	3.90	1.31	3.82	8	1.39	3.20
18		5.09			3.59	1.50	3.69	−10	1.40	
25	6.87	5.04	5.12	1.75	3.47	1.57	3.57	−10	1.47	3.24
Mar. 4		5.20			3.67	1.53	3.68	−1	1.52	
11	7.26	5.92	5.79	1.47	4.57	1.35	3.97	60	1.95	3.23
18		5.66			4.16	1.50	4.09	7	1.57	
25	7.07	5.82	5.73	1.34	4.13	1.69	4.13	0	1.69	3.02
Apr. 1		5.65			3.96	1.69	3.97	−1	1.68	
8	7.08	5.72	5.69	1.39	3.99	1.73	3.87	12	1.85	3.22
15		5.66			3.99	1.67	3.85	14	1.81	
22	7.22	5.69	5.76	1.46	4.03	1.66	3.81	22	1.88	3.34
29		5.84			4.32	1.52	3.95	37	1.89	
May 6	7.18	5.87	5.91	1.27	4.30	1.57	3.96	34	1.91	2.89
13		5.95			4.49	1.46	4.45	4	1.50	
20		6.18			4.86	1.32	5.15	−29	1.03	
27	7.34	6.12	6.15	1.19	4.88	1.24	4.98	−10	1.14	2.32
June 3		6.15			5.09	1.06	4.92	17	1.23	
10	7.60	6.33	6.27	1.33	4.86	1.47	4.68	18	1.65	2.94
17		6.20			4.83	1.37	4.63	20	1.57	
24	7.86	6.23	6.23	1.63	4.69	1.54	4.46	23	1.77	3.45
July 1		6.23			4.62	1.61	4.35	27	1.88	
8	7.82	6.12	6.08	1.74	4.76	1.36	4.48	28	1.64	3.31
15		6.05			4.82	1.23	4.54	28	1.51	
July 22	7.67	5.99	6.05	1.62	4.81	1.18	4.70	11	1.29	3.04
29		6.11			4.71	1.40	4.55	16	1.56	
Aug. 5		6.05			4.73	1.32	4.51	22	1.54	
12	7.90	6.10	6.12	1.78	4.67	1.43	4.46	21	1.64	3.41
19		6.21			4.64	1.57	4.51	13	1.71	
26	8.23	6.25	6.23	2.00	4.83	1.42	4.50	33	1.75	3.77
Sept. 2		6.21			4.74	1.47	4.38	36	1.83	
9	8.24	6.30	6.30	1.94	4.73	1.57	4.47	26	1.83	3.68
16		6.30			4.81	1.49	4.64	17	1.66	
23	8.67	6.53	6.59	2.08	5.24	1.29	5.15	9	1.38	3.57
30		6.65			5.06	1.59	5.04	2	1.61	
Oct. 7	8.39	6.65	6.60	1.79	5.18	1.47	5.25	−7	1.40	3.20
14		6.56			5.08	1.48	5.13	−5	1.43	
21	8.72	6.52	6.65	2.07	4.81	1.71	4.58	23	1.94	4.21
28		6.77			5.10	1.67	4.43	67	2.34	
Nov. 4	8.47	6.67	6.83	1.64	4.80	1.87	4.12	68	2.55	4.23
11		6.99			5.26	1.73	4.35	91	2.64	
18		6.72			5.06	1.66	4.40	66	2.32	
25	8.41	6.36	6.42	1.99	4.47	1.89	3.90	57	2.46	4.43
Dec. 2		6.17			4.37	1.80	3.64	73	2.53	
9	7.92	6.11	6.19	1.73	4.47	1.64	3.45	1.02	2.66	4.55
16		6.27			4.55	1.72	3.29	1.26	2.98	
23	7.74	6.09	6.15	1.59	4.39	1.70	3.32	1.07	2.77	4.38
30		6.20			4.61	1.59	3.40	1.21	2.80	

See footnotes at end of table.

TABLE 26.—*Hog prices and wholesale and retail values of principal hog products in 100 pounds of live hog, and wholesale and retail gross margins, Chicago, 1933–34*—Continued

Date	Retail product value [1]	Wholesale product value in sale to retailer [2]		Retailer's gross margin [3]	Wholesale value fresh product car-lot sales [4]	Curer's gross margin [5]	Hog price [6]	Spread between hog price and—		
		Weekly	Semimonthly					Wholesale fresh product value [7]	Wholesale product value to retailers [8]	Retail value [9]
1934										
Jan. 6	$7.78	$6.10	$6.11	$1.67	4.63	1.47	$3.53	1.10	$2.57	4.25
13		6.11			4.75	1.36	3.52	1.23	2.59	
20		6.18			4.81	1.37	3.50	1.31	2.68	
27	7.98	6.13	6.18	1.80	4.80	1.33	3.58	1.22	2.55	4.28
Feb. 3		6.22			4.90	1.82	4.01	.89	2.21	
10	8.65	6.72	6.99	1.66	5.54	1.18	4.58	.96	2.14	4.04
17		7.26			6.07	1.19	4.64	1.43	2.62	

[1] Computed retail value of principal products (cured ham, bacon, and picnics, rendered lard, and fresh loins, Boston butts, and spare ribs), derived from 100 pounds of live hog, using average of Chicago retail prices reported semimonthly to Livestock, Meats, and Wool Division, of Bureau of Agricultural Economics.
[2] Wholesale value of the products used in computing retail value, using Chicago weekly average wholesale prices to retailers reported by Livestock and Meat Market News Service of Bureau of Agricultural Economics. The weekly values are combined to make semimonthly averages for comparison with the retail values.
[3] Retailer's gross margin is the differences between the retail value and wholesale value of the principal hog products as shown in cols. 1 and 3.
[4] The wholesale value here represents the value of the principal products in the fresh state, except lard which is rendered weight. Values are computed from the quotations taken from the National Provisioner's Daily Market News Service on car-lot sales.
[5] Curer's margin is the difference between the wholesale value of the principal products in fresh state and the wholesale value of the same products in the form bought by the retailer. This difference is primarily the increased value resulting from curing and smoking bacon, ham, and picnics, although part of it is the increased price obtained in selling fresh products and lard in smaller units than carload lots.
[6] Hog price is the mean of the daily range of quotations at Chicago on Good to Choice hogs, 180–200 pounds, reported by the Livestock Market News Service of the Bureau of Agricultural Economics.
[7] Spread or gross margin between hog price and wholesale value of principal products in fresh state.
[8] Spread or gross margin between hog price and wholesale value of principal products, cured and fresh, in sale to retailers.
[9] Spread or gross margin between hog price and retail value of principal hog products, cured and fresh, in sale to consumers.

TABLE 27.—*Daily wholesale value of hog products derived from 100 pounds of live hogs compared with prices of live hogs, Chicago, Sept. 5, 1933–Feb. 19, 1934*

Date	Hog product value [1]	Hog price [2]	Cross spread or margin [3]	Date	Hog product value [1]	Hog price [2]	Cross spread or margin [3]
Sept. 5	$5.25	$4.48	$0.77	Oct. 11	$5.69	$5.00	$0.69
Sept. 6	5.25	4.48	.77	Oct. 12	5.66	5.00	.66
Sept. 7	5.26	4.48	.78	Oct. 13	5.60	5.07	.53
Sept. 8	5.26	4.52	.74	Oct. 16	5.50	4.85	.65
Sept. 11	5.27	4.48	.79	Oct. 17 [4]	5.48	4.55	.93
Sept. 12	5.32	4.58	.74	Oct. 18	5.43	4.50	.93
Sept. 13	5.34	4.62	.72	Oct. 19	5.42	4.45	.97
Sept. 14	5.40	4.67	.73	Oct. 20	5.45	4.58	.87
Sept. 15	5.56	4.82	.74	Oct. 23	5.55	4.50	1.05
Sept. 18	5.72	4.90	.82	Oct. 24	5.75	4.35	1.40
Sept. 19	5.76	4.92	.84	Oct. 25	5.77	4.38	1.39
Sept. 20	5.79	5.18	.61	Oct. 26	6.01	4.50	1.51
Sept. 21	5.91	5.32	.59	Oct. 27	6.01	4.50	1.51
Sept. 22	5.92	5.35	.57	Oct. 30	5.90	4.22	1.68
Sept. 25	5.95	5.17	.78	Oct. 31	5.64	4.12	1.52
Sept. 26	5.95	5.17	.78	Nov. 1	5.44	4.12	1.32
Sept. 27	5.94	5.20	.74	Nov. 2	5.30	4.02	1.28
Sept. 28	5.87	5.08	.79	Nov. 3	5.25	4.12	1.13
Sept. 29	5.70	4.90	.80	Nov. 6 [5]	5.84	4.28	1.56
Oct. 2	5.70	5.08	.62	Nov. 7	5.86	4.42	1.44
Oct. 3	5.81	5.25	.56	Nov. 8	5.97	4.45	1.52
Oct. 4	5.85	5.38	.47	Nov. 9	6.03	4.32	1.71
Oct. 5	5.81	5.18	.63	Nov. 10	5.91	4.32	1.59
Oct. 6	5.78	5.32	.46	Nov. 13	5.89	4.45	1.44
Oct. 9	5.80	5.48	.32	Nov. 14	5.80	4.48	1.32
Oct. 10	5.81	5.18	.63	Nov. 15	5.67	4.45	1.22

See footnotes at end of table.

TABLE 27.—*Daily wholesale value of hog products derived from 100 pounds of live hogs compared with prices of live hogs, Chicago, Sept. 5, 1933–Feb. 19, 1934*—Continued

Date	Hog product value [1]	Hog price [2]	Cross spread or margin [3]	Date	Hog product value [1]	Hog price [2]	Cross spread or margin [3]
Nov. 16	$5.61	$4.40	$1.21	Jan. 4	$5.12	$3.45	$1.67
Nov. 17	5.47	4.35	1.12	Jan. 5	5.12	3.68	1.44
Nov. 20	5.31	4.15	1.16	Jan. 8	5.23	3.58	1.65
Nov. 21	5.10	4.00	1.10	Jan. 9	5.27	3.65	1.62
Nov. 22	4.90	3.72	1.18	Jan. 10	5.24	3.55	1.69
Nov. 23	4.81	3.82	.99	Jan. 11	5.25	3.42	1.83
Nov. 24	4.88	3.90	.98	Jan. 12	5.25	3.48	1.77
Nov. 27	4.82	3.73	1.09	Jan. 15	5.31	3.52	1.79
Nov. 28	4.86	3.73	1.13	Jan. 16	5.33	3.48	1.85
Nov. 29	4.91	3.78	1.13	Jan. 17	5.32	3.48	1.84
Dec. 1 [6]	4.90	3.55	1.35	Jan. 18	5.31	3.54	1.77
Dec. 4	4.91	3.48	1.43	Jan. 19	5.29	3.50	1.79
Dec. 5	4.93	3.42	1.51	Jan. 22	5.32	3.52	1.80
Dec. 6	4.97	3.42	1.55	Jan. 23	5.32	3.63	1.69
Dec. 7	5.04	3.48	1.56	Jan. 24	5.29	3.53	1.76
Dec. 8	5.08	3.48	1.60	Jan. 25	5.28	3.43	1.85
Dec. 11	5.20	3.32	1.88	Jan. 26	5.29	3.68	1.61
Dec. 12	5.18	3.20	1.98	Jan. 29	5.39	3.78	1.61
Dec. 13	5.09	3.35	1.74	Jan. 30	5.40	3.93	1.48
Dec. 14	5.10	3.32	1.78	Jan. 31	5.40	3.70	1.70
Dec. 15	5.09	3.20	1.89	Feb. 1 [8]	5.43	3.93	1.50
Dec. 18	5.00	3.35	1.65	Feb. 2	5.42	4.38	1.04
Dec. 19	4.96	3.18	1.78	Feb. 5	5.72	4.30	1.42
Dec. 20	4.89	3.20	1.69	Feb. 7	6.15	4.72	1.43
Dec. 21	4.84	3.28	1.56	Feb. 8	6.43	4.77	1.66
Dec. 22	4.88	3.30	1.58	Feb. 9	6.49	4.65	1.84
Dec. 26 [7]	5.07	3.52	1.55	Feb. 12	6.66	4.67	1.98
Dec. 27	5.13	3.42	1.71	Feb. 13	6.74	4.70	2.04
Dec. 28	5.13	3.35	1.78	Feb. 14	6.85	4.67	2.18
Dec. 29	5.14	3.38	1.76	Feb. 15	6.85	4.65	2.20
Jan. 2	5.18	3.42	1.76	Feb. 16	6.89	4.62	2.27
Jan. 3	5.12	3.52	1.60	Feb. 19	6.87	4.58	2.29

[1] Value of all edible products, fresh basis (lard rendered), in 100 pounds of live hog computed from wholesale prices on car-lot basis, Chicago, reported by National Provisioner Daily Market Service.
[2] Mean of daily quotations on Good to Choice hogs, 180–200 pounds weights, Chicago, reported by Livestock Market News Service, Bureau of Agricultural Economics.
[3] Difference between wholesale product value and hog price.
[4] Announcement of processing tax of 50 cents per 100 pounds live weight, effective Nov. 5, 1933.
[5] Processing tax of 50 cents per 100 pounds live weight becomes effective.
[6] Processing tax increased from 50 cents to $1 per 100 pounds live weight.
[7] Announcement made on Dec. 23, that processing tax would continue at $1 rate through January instead of being increased to $1.50 as originally announced.
[8] Processing tax $1.50.

TABLE 28.—*Estimated weekly hog slaughter under Federal inspection,[1] 1932 and 1933*

[In thousands, i.e., 000 omitted]

Week ending Friday—	1932	1933	1934	Week ending Friday—	1932	1933	1934
Jan. 6	1,100	927	916	July 7	540	912	
Jan. 13	1,225	1,149	1,132	July 14	703	1,014	
Jan. 20	1,139	1,133	1,197	July 21	696	924	
Jan. 27	1,234	1,125	1,379	July 28	661	811	
Feb. 3	1,131	1,055	1,379	Aug. 4	681	783	
Feb. 10	1,128	882	604	Aug. 11	670	761	
Feb. 17	1,099	1,004	705	Aug. 18	646	814	
Feb. 24	1,112	790		Aug. 25	634	751	
Mar. 3	936	881		Sept. 1	672	747	
Mar. 10	803	782		Sept. 8	694	661	
Mar. 17	853	736		Sept. 15	766	674	
Mar. 24	778	849		Sept. 22	752	692	
Mar. 31	714	792		Sept. 29	816	764	
Apr. 7	731	850		Oct. 6	801	711	
Apr. 14	900	871		Oct. 13	770	752	
Apr. 21	880	898		Oct. 20	852	640	
Apr. 28	929	1,042		Oct. 27	890	631	
May 5	891	1,080		Nov. 3	872	872	
May 12	931	1,027		Nov. 10	682	794	
May 19	901	856		Nov. 17	979	1,104	
May 26	946	872		Nov. 24	819	1,275	
June 2	884	953		Dec. 1	1,063	1,072	
June 9	913	1,103		Dec. 8	1,069	908	
June 16	822	1,041		Dec. 15	1,012	1,110	
June 23	641	1,083		Dec. 22	1,110	1,293	
June 30	577	1,082		Dec. 29	892	899	

[1] Estimates based on reports from slaughterers handling approximately 80 percent of the total.

TABLE 29.—*Retail price of hog products at New York, apparent consumption of pork, including lard, and indexes of consumer expenditures for pork, including lard, and income of urban consumers, 1924–33*

Calendar year	Retail price per 100 pounds of hog products, New York [1]	Apparent consumption of pork, including lard, produced under Federal inspection [1]	Index of consumer expenditures for federally inspected pork, including lard, 1924–28=100 [2]	Index of income of urban consumers, 1924–28=100 [3]
	Dollars	*Million pounds*		
1924	25.06	7,201	88.7	91.1
1925	31.69	6,297	98.1	97.2
1926	35.28	6,154	106.7	102.8
1927	30.59	6,706	100.8	103.3
1928	29.37	7,330	105.8	105.6
1929	28.51	7,299	102.3	110.3
1930	26.84	6,919	91.3	100.0
1931	21.71	7,055	75.3	84.5
1932	16.85	7,250	60.0	65.3
1933	15.17	[4] 7,333	[4] 54.8	[4] 61.0

[1] Compiled from reports of the Division of Livestock, Meats, and Wool, Bureau of Agircultural Economics.
[2] Retail prices of hog products at New York, and the apparent consumption of federally inspected pork, including lard, were used in the computation of the basic data for this index.
[3] Bureau of Agricultural Economics. This index was computed from indexes of pay rolls of factories, railroads, mining, public utilities, Government, and others, but it is preliminary and is subject to revision.
[4] Estimate.

TABLE 30.—*Retail price of hog products at New York, apparent consumption of pork, including lard, and indices of consumer expenditures for pork, including lard and income of urban consumers, November and December 1924–33*

Year	Retail price per 100 pounds of hog products, New York [1]		Apparent consumption of pork, including lard, produced under Federal inspection [1]		Index of consumer expenditures for federally inspected pork, including lard, November-December 1924–28=100 [2]	Index of income of urban consumers, November and December 1924–28=100 [3]
	November	December	November	December		
	Dollars	*Dollars*	*Million pounds*	*Million pounds*		
1924	26.48	27.30	608	662	100.8	91.6
1925	33.49	33.13	542	563	108.5	102.0
1926	33.97	33.76	540	545	108.3	103.6
1927	31.00	29.14	604	594	106.2	102.0
1928	31.19	30.36	641	634	115.8	107.6
1929	27.96	27.58	657	602	103.2	108.1
1930	26.18	25.87	553	608	89.1	92.1
1931	20.97	18.92	620	640	74.0	77.3
1932	15.52	14.17	631	632	55.3	61.1
1933	16.07	15.81	681	[4] 570	[4] 58.8	[4] 65.6

[1] Compiled from reports of the Division of Livestock, Meats, and Wool, Bureau of Agricultural Economics.
[2] Retail prices of hog products at New York and apparent consumption of federally inspected pork, including lard, were used in the computation of the basic data for this index.
[3] Bureau of Agricultural Economics. This index was computed from indices of pay rolls of factories, railroads, mining, public utilities, Government and others, but it is preliminary and is subject to revision.
[4] Estimate.

TABLE 31.—*Hogs: Average price per 100 pounds, Chicago, and slaughter under Federal inspection, November–May, 1920–21 to 1932–33*

Season November–May	Average price per 100 pounds, Chicago [1]	Slaughter under Federal inspection [2]		Season November–May	Average price per 100 pounds, Chicago [1]	Slaughter under Federal inspection [2]	
		Total	Live weight			Total	Live weight
	Dollars	*1,000 head*	*Million pounds*		*Dollars*	*1,000 head*	*Million pounds*
1920–21	9.58	24,785	5,548	1927–28	8.66	32,286	7,283
1921–22	9.01	24,731	5,497	1928–29	10.07	31,657	7,182
1922–23	8.05	32,226	7,228	1929–30	9.86	29,312	6,659
1923–24	7.13	35,049	7,708	1930–31	7.49	28,594	6,625
1924–25	11.14	31,189	6,724	1931–32	4.03	30,540	6,864
1925–26	12.11	25,829	6,004	1932–33	3.59	28,444	6,499
1926–27	11.23	26,844	6,108				

[1] Base data from the Division of Livestock, Meats, and Wool, Bureau of Agricultural Economics. Packer and shipper purchases. Simple average, November–May.

[2] Inspected slaughter from the Bureau of Animal Industry. Total live weight computed using inspected slaughter and average live weight from monthly reports of the cold-storage report section, Bureau of Agricultural Economics.

CHAPTER 17

EFFECTS ON FARM BUYING POWER

The agricultural adjustment program thus far put into effect—notably that portion affecting cotton, tobacco, and wheat—has brought increased purchasing power and striking improvement in the economic condition of farm communities. This improvement has been reflected in other parts of the country which manufacture goods bought by farmers. While corn-hog, dairy, and beef producers have been suffering severely from low prices, it is evident that if the Administration's program can be applied with equal effectiveness on their behalf, the results will be equally beneficial.

With their income increased by benefit payments made by the Government in consideration of their cooperation in acreage adjustment, as well as by the higher prices for their product resulting from the acreage adjustment and other portions of the Government's recovery program, the cotton, tobacco, and wheat farmers appear to be in better financial condition than they have been for years. The long-depressed farm communities of the South and the Middle West are being revivified, just as withered plants take on new life in all their parts when rain follows an extended dry spell.

Money put into the hands of the farmers is benefiting almost every group in their communities, it is indicated by a survey made by the Agricultural Adjustment Administration in typical counties in the Cotton and Wheat Belts. Though the survey covered only 3 counties, 2 in the cotton and 1 in the wheat areas, they are typical counties and the results are considered likely to reflect in a broad way the results in the cotton and grain regions as a whole. Delinquent taxes are being paid; banks are collecting on notes they had written off long ago; schools are reopening or staying open for longer terms; stores are doing an increased business; and money is flowing to the industrial centers of the Nation in the form of orders for clothing, household furnishings and supplies, farm implements, automobiles and automobile parts, radio storage batteries, paint, lumber, and many other things that farmers buy. Even transportation agencies which at first thought might be considered as having a smaller volume of farm products to transport as a result of the production reduction campaigns are deriving increased revenue from the larger volume of city goods now moving into the farm areas.

CAN NOW BUY BACK OWN COTTON

A striking fact revealed in the survey is that many farmers of the South are able, for the first time in 4 years, to buy back their own cotton in the form of cotton cloth and articles of clothing. One merchant in a small Georgia city estimated that the farm families in his community could each buy $50 worth of cotton goods without being oversupplied.

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"They hadn't been able to buy anything for 4 years", he said, "and their clothes were nearly worn out."

Few of the farmers, if any, are hoarding their money, the survey indicates. They are hastening to buy articles they have long gone without, and to pay debts or taxes long deferred. There is overwhelming evidence that they are using the money conservatively and making every dollar bear its full load.

In some of the wheat areas, stricken by drought 2 years in succession, the Government checks represent the only cash income the farmers have received this year. Their condition is so desperate that many of them are relying on this money to keep them from starving this winter.

Contrary to the impression held by many city people, not all farmers have been able to provide themselves with the bare necessities of life on their farms.

Every one of the three counties surveyed has had on its relief rolls a number of farm families. In ordinary times these families are self-supporting, but during the depression they have fared little better than their unemployed city cousins. With increased income from benefit payments and with higher prices, many farmers are finding it no longer necessary to depend upon public relief.

WHOLE COMMUNITY BENEFITING

The state of mind of many of the business men in the South is well illustrated by the comment of H. B. Bellenger, vice president of the Altus National Bank, Altus, Okla.:

> The results of the Government's cotton program have been wonderful. Our whole community is benefiting from it. We are feeling the effects here in this bank. Our loans were in excess of $300,000. We have collected at least one third of this amount and we are not nearly through yet. One farmer came in the other day with several hundred dollars and paid up his note in full. He still has his cotton options and also the cotton in his field.
>
> This program just about saved our lives. I never have seen anything work out better in my life.

If this bank had failed, all the farmers in the community would have suffered.

One of the farmers in Jackson County, of which Altus is the county seat, summed up his experience:

> Last year I had 48 bales, which netted me less than $4 each after my cash costs were paid. This year I had 36 bales, which netted me nearly $12 each after the cash costs had been paid.
>
> I work my farm on half shares. I plowed up 20 of my 80 acres of cotton and got $80 as my half. My share of six bales of options will give me $60 more.
>
> Last year I couldn't pay a thing. This year I can live, pay more for my groceries, and buy a few things.

Jackson County has approximately 2,750 farms, about 50 percent of which are occupied by tenants. The average farm is around 200 acres. About 99 percent of the farmers are white, though Negro labor is employed to some extent. There are 2 or 3 workers to each 100 acres, with 10 or 12 pickers during picking time. Some of the farmers practice one-crop cotton farming, while others diversify. Nearly two thirds of the land in crops is ordinarily planted to cotton.

Cotton production the last few years has ranged from 75,000 to 100,000 bales. The 1933 crop is expected to run about 70,000 bales.

Plow-up contracts were signed by 2,280 farmers, representing 182,173 acres, or 85 percent of all the cotton. The total number of acres plowed up was 67,468. Benefit payments received by the farmers totaled approximately $615,000. (The largest plow-up check was for $4,600; the smallest was for $20.) Options on 15,300 bales of Government-owned cotton will yield about $300,000 more.

About 75 percent of the crop had been sold before Government loans became available. Since that time, those who had cotton have stored it in the warehouses at Altus and at other points, and the loans have been assumed by the local banks.

Altogether, the returns to cotton growers of the county in the form of plow-up benefits, profits on options, and payments or loans for their cotton, will amount to approximately $4,000,000. This compares with a gross income of $2,180,000 a year ago.

Deposits in the two banks, the Altus National Bank and the National Bank of Commerce, have risen from $900,000 to $1,500,000. The latter bank is only 2 years old and its farmer loans, therefore, have been small, amounting to only $50,000. Practically all of these, according to W. B. Gover, president, have been liquidated with money which came from cotton.

NEWSPAPER ADVERTISING INCREASED

The Altus National Bank has handled about $150,000 of the cotton loans at 4 percent, the same rate charged by the Government.

"We regard this as especially good business", said Mr. Bellenger.

Harrington Wimberley, publisher of the Altus Times-Democrat, reported that the volume of advertising in his newspaper is up about 30 percent as compared with a year ago.

"The farmers are using their money to good advantage", said Mr. Wimberley. "They are not hoarding it and not squandering it. They are good spenders and are buying the things they need."

D. E. Sessions, superintendent of Federal emergency relief work in Jackson County, reported that of the 2,280 farmers who signed cotton contracts, 611 had been on relief rolls. Relief is no longer necessary for many of these.

Because of tax delinquency, school teachers in the rural schools have been paid with tax warrants, though the schools have stayed open the full period of 8 months. Formerly these warrants were discounted from 5 to 25 percent, but now, because of the improved outlook, they are being cashed at face value, according to C. O. Booker, the county school superintendent.

J. S. Wood, in the investment and loan business, declared that last year he considered himself lucky to get interest on his money, whereas this year farmers are paying up their loans in full. Some of these loans were made in 1929 and 1930.

Miss Vanna Hooper, county treasurer, reported that she had been taking in money so fast in payment of 1931 and 1932 taxes that she had not had time to add it up. In 1 day she took in $9,800 over the counter and had not had time to open her mail.

Many farmers have bought automobile license tags and have resumed operating their cars, according to Mrs. W. R. Livermore, the local tag agent.

THE STORY OF FARM RECOVERY TOLD IN HEADLINES

JACKSON (MISS.) DAILY NEWS
JANUARY 1, 1934.
Agricultural Strides In '33 Only Beginning Of Work, Holton Says

Sioux City Journal
JANUARY 11, 1934
BETTER TIMES ARE FORECAST
Head of Iowa Corn and Hog Committee Visits in City

THE OMAHA BEE-NEWS
DECEMBER 24, 1933.
VALUE OF IOWA CROPS JUMPS 75% OVER '32

THE DAILY PANTAGRAPH,
JANUARY 12, 1934.
Refusers of Corn-Hog Contract Have Much to Lose and Little to Gain, Ag College Points Out

SAN FRANCISCO CHRONICLE,
JANUARY 1, 1934.
Farmers Given 52 Million Aid In Four States

APPLES
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IT TOOK THE A. A. A. TO DO IT

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AMAZING EVENTS OF YEAR IN AGRICULTURE TRACED

Halls Too Small To Hold Nebraska Farmers Attending

Peach Crop Value Soars

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Texas Farm Income Gains $108,341,770 Over Last Season

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FARM LAND PRICE CLIMBING UPWARD

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DECEMBER 12, 1933.
BACK ROOSEVELT IS FARMERS' CRY

THE DENVER POST
DECEMBER 14, 1933
WESTERN STATES SHOW BUSINESS TREND UPWARD, SHIPPERS TOLD

JANUARY 15
WHEAT MOVES OUT OF RUT AS MILLERS BUY

THE LINCOLN STAR
DECEMBER 11, 1933
FARM BUREAU HEAD PLEDGES CO-OPERATION

THE OMAHA BEE-NEWS
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MONEY COMING TO FARMERS IS ENDING GLOOM

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AN EMPIRE REBORN
Wheat Checks Restore the Morale of Farmers in Great Belt
READY TO FIGHT ANEW

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JANUARY 7, 1934
Representative Nebraska Farmers Declare AAA Meets Their Highest Hopes And State Feels Recovery

OUTLOOK BETTER, SAYS GRAIN

RECORD IN FARM YEAR OUTLINED
MONTANA STANDARD
JANUARY 7, 1934.
UNCLE SAM'S AID FELT IN FARM AREAS

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FARM MEET PLEDGES AID TO U.S. CHIEF

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MORE FARMERS GETTING WHEAT CHECKS TODAY

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Cotton Comeback Stirs New Life in Dixieland

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COTTON TEXTILE FUTURE BRIGHT

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A.A.A. PROGRAM HAS BENEFITED STATE FARMERS

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COTTON IS HIGHEST SINCE SEPTEMBER

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BETTER TIMES AHEAD FOR U. S. COTTON TRADE

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SAYS PLANNED AGRICULTURE IS HERE TO STAY

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STATE FARMERS IN BEST SHAPE OF FOUR YEARS

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FARM PURCHASING POWER IMPROVING

THE CONSTITUTION, ATLANTA
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TEN-CENT COTTON, PROFITABLE CROPS BRING PROSPERITY

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CAMPAIGN TO CUT HOG AND CORN PRODUCTION LAUNCHED IN WEST
Agricultural Economists of Eleven States, Meeting In Denver, Pledge Support to Program; No Effort Made to Force Agreements.

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Textile Industry's Buying Power Climbs $59,000,000

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FARM LEADERS BACK POLICIES OF ROOSEVELT

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46 PER CENT HIKE REGISTERED HERE

The Birmingham News
JANUARY 7, 1934.
PROSPECTS GOOD AS FARM WORK STARTS

Richmond Times-Dispatch: Wednesday, January 31, 1934
Better Times Seen on Farm As Delinquent Tax Is Paid
Collections Come From Almost Forgotten Hills and Hollows; Total for Six Months Is $275,194; Home Owners Loan Corporation Helps

Chicago Journal of Commerce
TUESDAY, JANUARY 16, 1934
FARMING TOOL TRADE MOVING ON HIGH LEVEL

EDITOR & PUBLISHER
NEW YORK, NOVEMBER 25, 1933
Sales and Linage Improving as Farm Bonus and Civil Works Advance

Sioux City Journal
FARM BUYING POWER RISES

The New York Times
JANUARY 15, 1934
HOG-BUYING PLAN BENEFITS FARMERS

Chicago Herald and Examiner
JANUARY 1, 1934.
Agriculture's Progress Big Step to Recovery
Increases in Farm Income Are Promptly Reflected in Trade, Says Carey
By Peter B. Carey, President Chicago Board of Trade

THE WICHITA BEACON
JANUARY 10, 1934
FARMERS RUSH TO WICHITA FOR WHEAT CHECKS

JANUARY 14, 1934
TOBACCO GROWERS GAIN RICH RETURNS

THE WICHITA BEACON
JANUARY 11, 1934
LARGER WHEAT INCOMES SEEN

OIL STOVES IN DEMAND

Fred C. Russell, of Russell Bros. Hardware Store, which does 95 percent of its business with country people, reported that he had sold 5 suites of furniture in 3 days, and had been selling from 1 to 4 oil ranges a day. Other articles which farmers were buying in large quantities were linoleum rugs, sets of harness, boys' wagons, cooking utensils and dishes, and new and used furniture.

"For the last 3 years we haven't had business like this", said Mr. Russell. "The farmers are not buying frivolous things, either. Everything is staples which they need."

E. G. Fuqua, of the Fuqua Electric Store, said that a year ago he was doing very little business with farmers, but now they are buying radios and batteries and are rehabilitating their sets.

The local store of the C. R. Anthony Co., a chain doing business in Oklahoma, Kansas, and nearby States, is doing one third more business in dollar volume than a year ago. The increase in its commodity volume is only slightly smaller. The manager declared this is the best year the store has had since its establishment in 1927. The farmers are buying bedding, overalls, piece goods, curtains, shoes, boots, tablecloths, oilcloth, and clothing of all kinds. The men's clothing handled by this store comes from New York, the shoes from St. Louis, and the overalls from Oshkosh, Wis. It is interesting to note how balancing cotton production by the plow-up clearly tended to increase the consumption of cotton goods.

George E. Starks, manager of the local J. C. Penney store, said that business for the year so far has been 22 percent better than last year. Three fourths of this store's trade is with farmers. Its ready-to-wear clothing comes from New York, and its work clothing and piece goods from southern points.

AUTOMOBILE SALES AFFECTED

George Hudspeth, local Chevrolet dealer, declared that in the first 11 months of 1932 he sold 55 new cars, none of which was bought by a farmer. In 1933, during the same period, he has sold about 200 cars, including 40 to farmers. In addition he has sold about 100 used cars to farmers.

"I have not seen such buying since 1927", said Mr. Hudspeth. "The farmers are paying for their cars outright. I have collected debts I charged off in 1929, and incidentally I have paid some of my own debts."

C. W. Snyder and O. L. Phipps, Sr., proprietors of the Ford agency, said they have sold 25 percent more new cars in 1933 than in 1932, and twice as many used cars. Total business during the months of October and November was four times as good as in the same period in 1932. This agency reported that its sales are principally to townspeople whose incomes have increased as a result of the farm prosperity. However, its shop work for farmers is three times as great as a year ago.

In Carroll County, Ga., the survey has revealed gains as a result of the Government's cotton program that are similar to those reported from the Oklahoma county. The county is southwest of Atlanta, in the Piedmont region. It has approximately 5,300 farmers, 86 percent of whom are white. Most of the farms are small, averaging

about 51 acres, and are operated by their owners. The average amount of cotton planted on each farm is about 15 acres.

Of the 75,000 acres of cotton planted in 1933, the farmers took out 12,625 acres, or 17 percent. They signed 2,080 plow-up contracts. The production of cotton in the last 5 years has ranged from 33,000 to 42,000 bales. For 1933 it is expected to be around 30,000 bales.

Benefit payments made to farmers in consideration of their reduction of acreage amounted to $150,000. The checks ranged from $12 to $2,040. Options for 4,903 bales will bring in almost $100,000 more. Before the Government loans on cotton were announced, about 15,000 bales of the county's crop had been sold. Since that time most of the farmers have been storing their cotton and taking advantage of the Government's offer.

The total income of the Carroll County farmers from benefit payments, options, and the crop itself is expected to be around $2,000,000, as compared with $1,170,000 from the cotton crop of 1932.

The last good year enjoyed by this county before 1933 was 1929, when it harvested a 42,000-bale crop. With returns from this crop the county built a handsome new courthouse in 1930, entirely paying for it in 1 year. After that time, however, conditions grew steadily worse.

Since the plow-up checks arrived, $83,000 has been paid on Government production loans. Only $2,100 remains to be paid, and officials are looking for collections of between 99 and 100 percent.

Late in November, the State and county taxes collected in this county amounted to $21,000, out of $98,000 levied. This was 100 percent better than at the same time in 1932. Of the 1931 and 1932 taxes, about $50,000 was delinquent. Forty percent of this has been paid since the 1st of October, with the result that the 1931 taxes are nearly all paid. Many of the cotton plow-up checks were endorsed over for taxes. Some farmers took up three receipts—for 1931, 1932, and 1933.

The amount collected on the county-wide school tax was about $4,500 in October and November 1933, as compared with $2,500 in the same months in 1932.

L. M. King, cashier of the Peoples Bank of Carrollton, the county seat, declared that when this bank was reorganized and reopened December 12, 1932, after being closed in May 1932, deposits were only $111,000. On November 23, 1933, the deposits were $228,000. In the month preceding, the increase was about $70,000, mainly as a result of the improved condition of the cotton growers. Since the cotton crop began to move, the middle of September, the bank has collected more than $50,000 on loans. When the bank reopened in December 1932, it owed the Reconstruction Finance Corporation $225,000. Now this amount has been reduced to $95,000. The bank has sold several tracts of land this fall, whereas formerly land was not salable at all. The bank has not made any new loans since reopening, but if conditions keep improving it will be in position to do so by the 1st of March, according to Mr. King.

In Carrollton, the farmers are not spending their money for new cars, though many have reconditioned their old cars and are driving them again. Besides making payments on debts and taxes, they are spending their money for clothing, household articles, and farm implements.

PURCHASES FROM MANY INDUSTRIAL CENTERS

J. W. Griffin, proprietor of Griffin's store, dealing in dry goods and clothing, said that the farmers are buying necessary articles such as shoes, hats, and overalls. Up to the last part of November the dollar volume of his business for the year was about 25 percent greater than during the same period in 1932. The Griffin store sells shoes produced in Manchester, N.H., Rochester, N.Y., and St. Louis, Mo.; hats produced in Philadelphia, Pa., and St. Louis; overalls produced in Indiana and in Macon, Ga.; suits made in Kentucky, Georgia, and St. Louis; and dresses and dress goods made in New York and Chicago.

October of 1933 showed business 70 percent better than October of 1932, according to W. W. Baskin, of the Carrollton Hardware Co., which does about 75 percent of its business with farmers. This store is selling large quantities of roofing made in Ohio, and farm implements and articles needed for repairs.

E. E. Stallings, of the People's Hardware Store, said his store had sold eight wagons between the middle of September and the last part of November. In 1932 none had been sold in this period. Farmers have also bought some medium-priced furniture, made in Atlanta, Ga., and in Tennessee, and he has had to replenish his supply. He is selling cook stoves, bed springs, iron beds, mattresses, chairs, axes, crosscut saws, cooking utensils, lamps, lanterns, flatirons, linoleum rugs, paint, and roofing. The amount of roofing sold has increased by 100 percent. This is made in Tennessee. Paint handled by the store comes from New York and Chicago. In general, the store's business is about 25 percent better than it was a year ago.

FEWER FARM FAMILIES NEED RELIEF

Some decrease in the number of farm families on relief rolls this winter is anticipated by Rev. J. L. McGirt, president of the Carroll County chapter of the American Red Cross. Last year about 1,000 families in the county, including 700 farm families, were helped with flour and clothing. Some of the tenant families will need help again this winter, however, according to Mr. McGirt.

A survey was made in Finney County, in western Kansas, about the time the Government checks were received by wheat farmers who had agreed to participate in the wheat acreage reducing program. This county has about 850 farmers, of whom more than 650 grow wheat. The county also has an irrigated district, where sugar beets are grown. Approximately 289,000 acres of wheat are grown in the county, according to adjusted figures agreed upon by local officials and officials of the Agricultural Adjustment Administration. The 3-year average production for 1930, 1931, and 1932, on which the allotments were based, was 3,279,000 bushels. This included a heavy crop in 1930 and a light one in 1932. This year the drought caused another small crop, the yield being only about 3 bushels to the acre, scarcely enough for seed.

To add to the county's troubles from drought and short wheat crops, two national banks in Garden City, the county seat, failed to open after the bank holiday last March. Only one State bank has been left functioning.

"This county has been almost bankrupt", said L. E. Crawford, the county agent. "The only light the people have seen is the wheat allotment. Otherwise it would be a dark, dismal picture for the winter."

ALLOTMENT PAYMENTS RENEW HOPE

The desperate financial condition of the county has been reflected in delinquent taxes, severe slashing of school teachers' salaries and the prospect that about 25 schools will have to go off the "cash basis law" to keep on operating, and the necessity of many farmers having to turn to public relief of keep from starving because of their short wheat crop, the low price for what cream they had to sell and the failure of their gardens due to the drought.

Because of these conditions, a greater proportion of the $325,000 the county is receiving as its share of the wheat-allotment payments will go for bare necessities—food, fuel, and clothing—than has been the case in the South. A number of the farmers, questioned about their plans for disposing of the money, replied that they expect to use part of it to "get by the winter." The rest of the money will be used to buy needed articles and to pay on debts and taxes.

To show concretely what some of these farmers are planning to do with their money, a few examples are given herewith, though for obvious reasons the farmers' names are omitted:

Farmer A.—Allotment check, $1,131. He is keeping enough to carry his family through the winter. The rest will be applied on debts (which total $5,685) and on taxes. He owes 2 years' taxes and 2 years' interest on his mortgage. If the money will reach, he will pay the interest and taxes for both years.

Farmer B.—Allotment check, $225. He has $75 note at the bank, which he will pay in full. He will use about $100 for taxes and $50 for miscellaneous expenses, which include $25 for church dues and the remainder for painting his henhouse and making other improvements.

Farmer C.—Allotment check, $199.20. He is a landowner, who has a third interest in the crop. He will pay for $125 worth of seed wheat, and apply the rest on his taxes of $194.40.

Farmer D.—Allotment check, $385. He has eight children in the family. Part of the money will be used for living expenses, and the rest will go on debts. "We've starved for 2 years."

Farmer E.—Allotment check, $215. He will pay $84 on life insurance (the annual premium). Some money will be used to buy clothes for the family. He also will buy more cows—he has three now, and wants three more.

PLANS HOME IMPROVEMENTS

Farmer F.—Allotment check, $101 (with other benefit payments due him on land in Scott and Hodgeman Counties, he will have about $700 altogether). He expects to use about half of the money on debts, and the rest on "fixing things up at home." He expects to paint his house and to build a chicken coop.

Farmer G.—Allotment check, $472 (has about $100 more coming). He will use part of the money for obligations; some on clothing, food, fuel, and general household expenses; some for taxes; some for gasoline; also $30 or $40 for repairs on car.

The Government's allotment plan for wheat has received almost unanimous support from the farmers of Finney County, more than 95 percent of the growers having signed contracts to reduce their acreage by the required 15 percent. They are hopeful of a better crop next season than in 1933, and of prices which will yield them an

increased return. Meanwhile, they are agreed that if it were not for the Government checks their situation would be nothing short of desperate.

GOOD BEGINNING, NOT FINAL GOAL

Thus reports of conditions in branches of the farming industry or regions where the Agricultural Adjustment Administration's programs have been placed in effect show that the benefits have been felt not only by the farmers but also have been communicated quickly to all branches of industry.

Nevertheless they are the record of a good beginning, not the attainment of final goal. The Administration still has much to do to overcome the consequences of a dozen years' impoverishment of agriculture. The task will not be completed until farmers' income has been restored and stabilized in all parts of the United States. The accomplishments of the Adjustment Administration's beginning efforts, as exemplified in these counties, are such as to add interest in the long-time aspects of the program, described in the next chapter, Planning for the Future.

CHAPTER 18

PLANNING FOR THE FUTURE

Earlier in this report, in a chapter devoted to organization, reference was made to a new Program Planning Division, established within the Agricultural Adjustment Administration to deal with both the emergency and the long-time aspects of the agricultural problem. While the first task of the Administration has been to rescue agriculture from its acute distress, there is also the task of planning ahead. Far-reaching and fundamental production adjustment programs which already have been undertaken or are contemplated must be consolidated into permanent measures. This is necessary if suffering is to be avoided in the future and if economic security and well-being are to be brought permanently to the farming group.

USES SUGGESTED FOR CONTRACTED AREAS

Completion of the programs for the retirement from production of corn, wheat, cotton, and tobacco, under the terms of the allotment-control contracts now authorized, will withdraw from commercial production large areas of land—probably more than 40,000,000 acres, the exact amount to depend upon various factors in recovery and the way in which the emergency adjustment programs are modified to meet changing conditions. The terms of the wheat, cotton, corn, and tobacco contracts, and subsequent regulations controlling the rented or contracted acres, direct the use of the rented acres to new seedings of soil-improving and erosion-preventing crops; permitting the land to lie idle; fallowing, where this practice is practical; controlling weeds; and planting forest trees. The use of rented acres for growing crops for direct consumption by the farm family or for feeding livestock contributing to the farm family is permitted in the case of the cotton and tobacco contracts, since these crops are to a substantial degree produced by share croppers and share renters who grow cotton and tobacco only. None of the contracts (cotton, wheat, tobacco, and corn and hog) permits the production on the contracted acreage of any crops for sale purposes or for use in feeding livestock produced for the market.

RECENT EXPERIENCE SHOWS NEED FOR PLANNING

The removal of forty-odd million acres of land from our total crop area raises puzzling questions as to regional and commodity competition, rotations, replacement crops, use of labor and the like. Adjustments in one enterprise necessitate adjustments in others. Putting cotton land into pasture, for example, may increase dairy or beef production, or diverting wheat to livestock feed may tend to increase the corn surplus. Similarly, downward adjustments of a particular crop in one region, if unaccompanied by similar adjustments in other and competing regions, would likewise tend to nullify the ends desired.

It is not enough for the Administration merely to contract with farmers to reduce the production of cotton, wheat, corn and hogs, or tobacco. It also must assist farmers in answering the questions which immediately confront them when they cut down these crops. Under the terms of the contracts, cooperators agree not to use the rented acres in growing crops for sale purposes or feed crops to be fed livestock or poultry produced for the market during the contract period. But what are they to do with the acres taken out of production? Practicable plans for replacement crops have been worked out for different regions, to answer this question.

Except where the contracts provide otherwise, it is reasonable to suppose that each farmer who agrees to reduce acreage of surplus crops will tend to take out the land in crops on his farm which is least productive. These lands cannot lie idle, however, without increasing the danger of damage through erosion or deterioration by being allowed to grow up in weeds. The replacement crop section of the Planning Division is concerned with this problem and plans and advises with farmers as to the kind of crops which may be grown to prevent erosion, promote soil-building, and conserve the long-time fertility of the soil, so as to help place agriculture permanently on a more secure economic footing.

PROBLEM HAS HUMAN PHASE

Readjustments occasioned by taking land out of cultivation are complicated still further by the human phase of the problem. When lands are taken out of cotton production in the South, for example, consideration must be given to the labor cultivating these lands. Provision must be made to see that the hired laborers and tenants do not bear the full brunt of the adjustment. The problem becomes even more difficult when considering the retirement of large acreages of submarginal land.

Problems of this kind run immediately into matters of much more long-time nature and of even greater importance to the future of the nation. Long-time planning of land use is a natural outgrowth of the Administration's emergency efforts. Such long-time planning of land utilization contrasts in several ways with the present emergency removal of tracts from many thousands of scattered farms. It differs as much from farm-by-farm acreage reduction as a well-balanced cotton economy in the South would differ from the hurried emergency program resulting in plowing under 10,000,000 acres of cotton.

The Administration's emergency measures result in taking out of surplus production small parcels of land on farms scattered all over the country, and in placing these plots in grass, soil-building, and lands from erosion-preventing crops. Long-time planning, on the other hand, means removal of large areas of submarginal land from production and the development of well-balanced systems of farming on the farms remaining in production. Lands retired from farming can be added to the public domain, to national forests, or designated for use for grazing, parks, game refuges, or for other recreational or cultural purposes. At the same time steps should be taken to end high-pressure promotion, either by the Federal Government or by other agencies, of settlement in areas and under conditions which cannot sustain a population on any but very low standard-of-living levels.

SUBMARGINAL LANDS TO BE PURCHASED

An allotment of $25,000,000 recently has been made to finance a beginning in withdrawing submarginal acreage. This will be done under immediate supervision of the Surplus Relief Corporation. Many people have felt that it is the so-called "submarginal" land which is largely responsible for our surplus problem, and that if only it were retired from cultivation the entire agricultural problem would be solved. Such land does add something to our surpluses, but the main reasons for retiring it from agricultural production are social. In both temporary and long-time measures advance must be made along the whole broad front of agriculture. Plans to assist one phase of the industry must be followed quickly by aid for the other branches. If the various emergency production efforts were not dove-tailed into each other they would result merely in transition of production from one crop to another without accomplishing any real help for the farming industry as a whole. This is the reason that under the direction of the Planning Division all of the contracts, whether they relate to cotton, wheat, tobacco, or other commodities, now are being drawn so that farmers agree in taking land out of one crop not merely to devote it to another surplus crop, but instead to devote the land to other purposes entirely, so as to raise the whole level of agricultural living and income.

MAY COMBINE PRODUCTION CONTROL ASSOCIATIONS

Likewise in regions where more than 1 crop is raised it has been indicated, as the Adjustment Administration plans developed, that important advantages would result if only 1 production control association could be organized for all farmers in each county. It now appears that in many respects 1 contract covering all the commodities, administered by 1 association, would prove a better instrument than several. Aside from the economies in administration, in avoidance of duplicated effort and overlapping, there would be the added value of centering attention upon the entire farm rather than upon lands devoted to any 1 or 2 crops. Adjustments should be interpreted in the light of their effect upon the whole farming business instead of upon one enterprise. As a part of a long-time program, the Administration sees in such associations a means whereby farmers may exert a continuing control over agricultural output.

The Administration also has sought for ways to give the farmers in certain regions guidance in devoting the rented acres to uses which will help in the family sustenance. In some areas this means finding supplemental land uses which will provide poultry, milk, and garden stuff to stock the family larder. This is intended to avoid some of the hardships which price or crop failures in the surplus single cash regions sometimes have meant for millions of farmers.

PERMANENT SCARCITY NOT SOUGHT

Still other considerations have led the Adjustment Administration to think of long-time planning—to think in terms of years. The Adjustment Administration has no thought of preparing for a permanent scarcity. On the contrary, agriculture looks forward to returning economic health throughout the Nation, and the influence it will

have upon both immediate and long-time prices of agricultural products. This perspective is of immense importance to producers of such products as dairying and beef cattle which rely primarily upon the domestic market. As time goes on and the present emergency surpluses are removed, the Administration's efforts will be shifted from drastic curtailment toward adjustment of production.

Likewise the possibility of some recovery in markets abroad is a factor in shaping programs for the surplus crops. Wheat, cotton, and hog farmers particularly have much to gain from a restoration of international trade.

The American population is still increasing, though at a declining rate. Agriculture's goal is the economical production of ample raw materials to supply the Nation's needs and to meet the demand for such products as can be sold abroad at remunerative prices, while at the same time avoiding surpluses that destroy the buying power of farm commodities and wreck farmers' standard of living. These and other factors show how important it is that the Adjustment Administration should resort to advance planning so its future programs may have flexibility and adaptability to meet and anticipate situations arising in the future.

MUST PLAN FOR AGRICULTURE AS A WHOLE

In making the transition from the emergency to the longer-time phases of the agricultural adjustment problem, we need to develop and have as our goal a comprehensive plan for agriculture as a whole. Such a plan should not be something that is rigid and fixed, but should be adaptable and flexible enough to meet changing industrial and international situations as they may arise. It also should provide for as much flexibility and freedom of action, on the part of the individual farmer, as is consistent with the maintenance of a proper balance between farm production and the need therefor.

In developing such a plan, first consideration will have to be given to the determination of the volume of production necessary to maintain our present or prospective population on a level of consumption for food and clothing at least equivalent to that enjoyed in relatively prosperous periods of the past. At the same time, this volume of agricultural production should be so distributed and controlled as to result in a standard of living for the farm population comparable to that enjoyed by other groups. Added to this production should be the probable volume of farm products which we shall be able to sell abroad at remunerative prices. Consideration must also be given to the desirability of continuing to accept some imports of agricultural products. Likewise in determining this production, account should be taken of trends in consumption now under way, of possible future changes in dietary habits, the effects of varying levels of business activity and consumer purchasing power, and also the effect of our natural economic policies upon international trade.

The problem involves next a consideration and appraisal of our agricultural resources, the distribution of our present agricultural production, and the relative adaptability of the different regions and areas to the production of the various crop and livestock products. This appraisal will also determine what lands, now used for agricultural production, had best be taken out of production; also those that should be devoted to less intensive uses than now engaged.

Then, finally, there is the problem of allocating the total volume of production needed among the various regions and areas, and to the individual farms with due regard to the productivity and resources of each.

PLAN SHOULD BE ADAPTED TO NEEDS OF INDIVIDUAL FARMS

The objective will be to develop a regionalized plan which will result in the desired production for the country as a whole, and which, at the same time, will permit each individual farmer to follow the system of farming best adapted to his conditions and farm. The possibility of progress in this direction rests, first of all, of course, not only upon the assent but more than that upon the active cooperation of the individual farmers. Such cooperation, which has been forthcoming through the production control associations to a high degree, spans the gap between planning and actual, beneficial accomplishments.

Planning such an agriculture and providing constant guidance will call upon all available skill and training, experience and knowledge. Colleges of agriculture, extension services, experiment stations, farm leaders, farm organizations, and county production control associations will be needed to develop the necessary regional and national program. It will call for the cooperation and services of industrial agencies, especially those that are directly affected by the physical volume of agricultural output.

Through the Agricultural Adjustment Act, Congress has brought the centralizing power of the Government to the aid of the farmers of the United States. Widespread response has been given by the growers of cotton, tobacco, wheat, corn, hogs, rice, and other products to the emergency plans devised under the act. The county production control associations provide an important practical instrument of cooperation. This is proof that farmers, when afforded the opportunity, are eager to cooperate with each other and with the Government in an attack on their common problems. There is reason to believe that, building upon the emergency efforts of the present, the farmers will continue to cooperate in the execution of long-time plans designed to serve their own group interests and the best welfare of the Nation as a whole.

CHAPTER 19

FINANCIAL REPORT

To provide information as to the financial operations of the Agricultural Adjustment Administration since its organization there are given below five statements in summary form. These are as follows:

1. A statement of Treasury credits and disbursements to December 31, 1933.
2. A statement of estimated collections and expenditures for those programs in effect or in process of approval at the time of submission of budget data to the Budget Bureau, based on marketing periods and not by fiscal years.
3. A statement of estimated collections and expenditures for production control programs, classified by fiscal years, as used in the preparation of the 1935 budget.
4. A statement projecting the expenditure of the $100,000,000 appropriated for administrative and other expenses of the Agricultural Adjustment Administration.
5. A statement of tax collections under the Agricultural Adjustment Act up to December 31, 1933.

The first statement, given in table 33, has for its purpose to set forth in summary form the credits established on the books of the Treasury in anticipation of collection of processing and other taxes and from other sources, and of the disbursements made therefrom, together with the balance unexpended as of December 31, 1933.

TABLE 33.—*Credits and disbursements of the Agricultural Adjustment Administration, May 12, 1933, to Dec. 31, 1933*

RECEIPTS:				
Advances from Treasury in anticipation of collection of processing taxes—				
Cotton credits		$115,000,000.00		
Wheat credits		104,075,000.00		
Tobacco credits		2,060,000.00		
Hogs credits		48,500,000.00		
Milk and its products credits		11,250,000.00		
Refunds of taxes		500,000.00		
Administrative expenses—tax provision		3,500,000.00		
			$284,885,000.00	
Appropriation under section 12 (*a*) of Agricultural Adjustment Act—Administrative expenses and rental-benefit payments			100,000,000.00	
Transfer under National Industrial Recovery Act—Bankhead fund—Corn-hog program			37,000,000.00	
				$421,885,000.00
DISBURSEMENTS:				
Administrative expenses			6,272,230.00	
Rental-benefit payments—				
Cotton		$111,405,244.87		
Wheat		18,396,794.50		
Tobacco		1,274,448.13		
			131,076,487.50	
Removal of surplus agricultural products—				
Wheat		465,930.08		
Hogs	$33,448,400.69			
Less reimbursement by Federal Surplus Relief Corp	948,542.15			
		32,499,858.54		
Milk and its products		[1] 9,414,033.37		
			42,379,821.99	
Transfers to other departments—				
Bureau of Internal Revenue—refund of taxes		[2] 500,000.00		
Bureau of Internal Revenue—administrative expenses		[3] 3,500,000.00		
Treasurer of United States—administrative expenses		[4] 25,000.00		
			4,025,000.00	
				183,753,540.41
BALANCE:				
In Treasury of United States and to credit of disbursing officers				238,131,459.59

[1] Amount expended for purchase of butter and cheese for distribution through relief channels.
[2] Actual refunds through Dec. 31, 1933, totaled $49,958.04.
[3] Actual expenditures through Dec. 31, 1933, totaled $518,927.44.
[4] Actual expenditures through Dec. 31, 1933, totaled $11,509.80.

The second statement, given in table 34, sets forth, by marketing periods, estimated receipts of processing taxes, compensating taxes and the transfer of the $37,000,000 from the Bankhead fund, compared with proposed expenditures classified by character and by commodity programs. The figures for processing tax collections are net. It is assumed that floor stock tax receipts will be offset by subsequent refunds and therefore no figure for such receipts is given.

The amounts shown for receipts and expenditures for each commodity are estimates for the initial period only covered by producer contracts. The wheat acreage reduction contract provides that under certain conditions payments will be made to contracting producers in periods subsequent to that shown in the statement, and contracts made with cotton and tobacco producers provide that at the option of the Secretary of Agriculture, the contracts may be extended over subsequent periods. Inasmuch as the amount of the expenditures and the tax collections involved in these future periods will be contingent upon conditions then prevailing, no attempt has been made to include an estimate of them on this statement.

The estimate of receipts and expenditures for dairy products was based upon tentative plans under consideration at the time of submission of budget data to the Budget Bureau. No complete plan has yet been evolved for dairy products although there are now being developed plans for control of the production of milk and its products, which may involve considerably larger receipts and expenditures than contemplated in the previous proposal, upon which this statement was based.

TABLE 34.—*Estimated collections and expenditures covering commodity programs in effect or in process of approval for marketing periods indicated* [1]

	Total	Cotton, Aug. 1, 1933–July 31, 1935	Wheat, July 9, 1933–June 30, 1934	Corn-hogs, Nov. 5, 1933–Nov. 4, 1935	Tobacco, Oct. 1, 1933–Sept. 30, 1935	Dairy, Jan. 1, 1934–Dec. 31, 1934
Collections:						
Processing tax	$813, 595, 805	$237, 000, 000	$108, 000, 000	$394, 700, 000	$48, 395, 805	$25, 500, 000
Compensating tax	22, 000, 000	22, 000, 000				
Bankhead fund	37, 000, 000			37, 000, 000		
Total	872, 595, 805	259, 000, 000	108, 000, 000	431, 700, 000	48, 395, 805	25, 500, 000
Expenditures:						
Rental and benefit	762, 176, 000	242, 236, 000	102, 200, 000	365, 000, 000	39, 740, 000	13, 000, 000
Removal of surplus	85, 000, 000		8, 000, 000	65, 000, 000		12, 000, 000
Total	847, 176, 000	242, 236, 000	110, 200, 000	430, 000, 000	39, 740, 000	25, 000, 000
Balance of collections and expenditures	25, 419, 805	16, 764, 000	*2, 200, 000*	1, 700, 000	8, 655, 805	500, 000
Less estimated administrative expense: Fiscal years 1934 and 1935, chargeable to commodity programs	26, 125, 839	10, 527, 757	4, 300, 060	9, 338, 107	1, 760, 812	199, 103
Balance including administrative expenses [2]	*706, 034*	6, 236, 243	*6, 500, 060*	*7, 638, 107*	6, 894, 993	300, 897
Refunds: Reimbursement of secretary by Federal Surplus Relief Corps, for dry salt-pork produced under emergency hog program	3, 000, 000			3, 000, 000		
Balance—on completion of current programs [2]	2, 293, 966	6, 236, 243	*6, 500, 060*	*4, 638, 107*	6, 894, 993	300, 897

[1] Programs in effect or in process of approval of Dec. 16, 1933.
[2] Figures in italics represent an excess of outgo over income.

The third statement, given in table 35, exhibits in summary form the estimated collections and expenditures for production control programs, classified by character of collections and expenditures and by fiscal years. This statement embodies estimates used in the preparation of material for the 1935 Budget. It differs from the second statement in that it extends into the fiscal year 1936, and subsequent years, and covers not only programs now in operation but, as well, assumes a repetition of such programs at the conclusion of existing ones. Such an assumption was made for budgetary purposes because it is not practicable at the present time to plan in detail programs to be put into effect so far in advance.

Because of the inclusion in the third statement of additional data based upon the assumption that the approved production programs set forth in the second statement will be repeated, figures in the two statements are not comparable. Collections in the fiscal years 1934 and 1935, as shown in the third statement, are greater than those for the same period in the second statement, due to the fact that if existing programs are repeated, as assumed in the third statement, the amount of tax refunds will be smaller in the fiscal year 1935 and net collections will be correspondingly greater. Expense items for the fiscal years 1934 and 1935 are also altered by the assumption that existing programs will be repeated.

The table shows that there is anticipated an excess of expenditures in 1934 and 1935 but that for 1936 and subsequent years there will be an unexpended balance. The total of all the programs results in an excess of expenditures of $3,677,034. This excess, should it materialize, will need to be met from the permanent appropriation under section 12 (2) of the Agricultural Adjustment Act, made available to the Secretary of Agriculture for administration expenses and for rental and benefit payments.

All figures in this table are purely estimates and are the nearest approximation that can be made of the outcome of these programs at the present time. It is probable that subsequent developments will make it desirable to alter programs now envisaged or to undertake new ones. For instance, the dairy program, as indicated in the previous discussion, will, when developed, probably involve substantial adjustment of the estimated collections and expenditures shown in the statement.

No estimate of administrative expenses for periods subsequent to 1935 has been made, as the amount of such expenses will depend largely upon what programs are developed and initiated in those periods.

TABLE 35.—*Summary of estimated collections and expenditures for production control programs used in preparation of 1935 budget*

	Fiscal years			Total
	1934	1935	1936 and subsequent	
Collections (net):				
Cotton (including jute and paper)	$129,700,000	$135,000,000	$129,300,000	$394,000,000
Wheat	105,000,000	115,500,000	3,000,000	223,500,000
Corn-hogs	109,637,000	207,493,000	472,270,000	789,400,000
Tobacco	17,177,475	24,165,175	31,118,155	72,460,805
Dairy	9,900,000	25,500,000	15,600,000	51,000,000
Total	371,414,475	507,658,175	651,288,155	1,530,360,805
Bankhead fund	37,000,000			37,000,000
Total collections	408,414,475	507,658,175	651,288,155	1,567,360,805
Expenditures:				
Rental and benefit:				
Cotton	162,388,000	130,336,000	79,748,000	372,472,000
Wheat	73,000,000	102,200,000	29,200,000	204,400,000
Corn-hogs	162,500,000	365,000,000	202,500,000	730,000,000
Tobacco	15,269,000	40,085,000	22,686,000	78,040,000
Dairy	8,000,000	13,000,000	5,000,000	26,000,000
Total	421,157,000	650,621,000	339,134,000	1,410,912,000
Removal of surplus:				
Wheat	8,000,000	8,000,000	2,000,000	18,000,000
Corn-hogs	65,000,000	30,000,000		95,000,000
Dairy	11,125,000	12,000,000	875,000	24,000,000
Total	84,125,000	50,000,000	2,875,000	137,000,000
Total commodity expenditures	505,282,000	700,621,000	342,009,000	1,547,912,000
Administrative expense	16,103,411	10,022,428	(1)	26,125,839
Total expenditures	521,385,411	710,643,428	342,009,000	1,574,037,839
Balance	*112,970,936*	*202,985,253*	309,279,155	*6,677,034*
Refunds—Reimbursement by Federal Emergency Relief Administration	3,000,000			3,000,000
FINAL BALANCE OR DEFICIT	*99,970,936*	*202,985,253*	309,279,155	*3,677,034*

[1] Not yet estimated; see text.

The fourth statement given in table 36 sets forth the proposed operations under the $100,000,000 appropriation made available to the Secretary of Agriculture for administrative expenses and for rental and benefit payments that may be made with respect to reduction of acreage or reduction of production for market, under section 12 (a) of the Agricultural Adjustment Act. This is a permanent appropriation and will remain available until expended.

During the fiscal years 1934 and 1935, no expenditures are expected to be made from this appropriation except for those salaries and expenses incurred in the general administration of the act which are not directly connected with basic commodity control programs. All expenses so connected with control programs are expected to be paid from the proceeds of processing taxes.

TABLE 36.—*Summary of estimated administrative expenses payable from $100,000,000 permanent appropriation*

	Actual, 1933	Estimated, 1934	Estimated, 1935	Total
Original appropriation				$100,000,000
Estimated administrative expenses	$17,374	$3,251,205	$5,123,323	8,391,902
Balance available June 30, 1935				91,608,098

There is given in table 37 a statement of the actual collections of taxes under the Agricultural Adjustment Act received by the Treasury up to and including December 31, 1933. The figures are gross without deduction of certain refunds authorized by law. Up to December 31 a total of $49,958 had been so refunded. Also, it should be noted that eventually an amount approximately equivalent to collections with respect to floor taxes, will be refunded. Comparison of this statement with the first and second statements shows that collections of taxes are still well under advances from the Treasury in anticipation of the collection of taxes. They amount to only a small portion of anticipated receipts during the period that the programs will be in effect as estimated for budgetary purposes. Extensions of time in making tax payments, as permitted under the act, mean that these tax collections represent as yet only a portion of the taxes due and payable on commodities processed prior to December 31, 1933.

TABLE 37.—*Summary of tax collections to Dec. 31, 1933 (preliminary statement)*

Commodity	Total to Dec. 31, 1933	Processing	Import compensating	Floor tax		Unclassified[1]
				Other than retail	Retail dealers	
Wheat	$50, 721, 631. 29	$35, 627, 318. 00	$11, 457. 34	$10, 523, 729. 60	$2, 563, 840. 47	$1, 995, 285. 88
Cotton	80, 761, 184. 02	26, 468, 586. 73	460, 770. 13	42, 445, 760. 79	9, 895, 043. 24	1, 491, 023. 13
Tobacco	4, 849, 500. 64	2, 943, 642. 71	59, 613. 51	1, 720, 274. 16	222, 847. 68	−96, 877. 42
Field corn	889, 044. 03	10, 593. 46	1, 777. 66	854, 461. 42	19, 270. 76	2, 940. 73
Hogs	3, 160, 293. 98	441, 066. 02	3, 077. 67	2, 685, 868. 94	16, 427. 36	13, 853. 99
Jute and paper	19, 540. 48		3, 151. 34	16, 287. 80		101. 34
Total	140, 401, 194. 44	65, 491, 206. 92	539, 847. 65	58, 246, 382. 71	12, 717, 429. 51	3, 406, 327. 65

[1] Unclassified or collections received in advance of assessment are allocated to commodities on a percentage basis.

In addition to the five statements exhibited in this chapter, other statements are included in the appendix to supply detailed supporting data for the estimates of receipts and expenditures covering the commodity programs either in effect or about to go into effect, and for actual receipts and expenditures of the Agricultural Adjustment Administration.

APPENDICES

APPENDIX A.—BUDGET ESTIMATES

There are presented below tabulations supplementing the Financial Report, giving in detail estimated receipts and expenditures in connection with production control and surplus removal plans. They are designed to show the income and expenditures in connection with each of the programs in such a way as to bring out the financial results in each case. The appropriation of $100,000,000 provided for by section 12 (a) of the Agricultural Adjustment Act is not included in these tables. Preparation of a budget covering the prospective financial activities of the Agricultural Adjustment Administration during the 1934 and 1935 fiscal years required (1) consideration of activities currently in progress, and (2) recognition of possible future activities.

Exhibits 1, 2, 3, and 4, appended hereto, set forth in detail estimated financial transactions in connection with the programs now in progress with respect to cotton, wheat, corn-hogs, and tobacco. These tabulations were prepared on the basis of programs actually approved and, as indicated in the Financial Report, do not reflect any transactions which may result from continuing payments to producers beyond the initial period provided for in the individual programs.

These four exhibits were used as a basis for preparation of the 1935 budget for the Department of Agriculture. However, when the budget was prepared (in mid-December) a plan was tentatively under consideration for the levying of a processing tax on milk and its products, and expenditures had already been made for the removal of surplus butter. This tentative plan called for a tax sufficient to produce about $24,500,000 annually, to be available for costs of removal of surplus or rental payments. It was thought desirable to recognize this tentative plan.

The second of the 5 statements in the Financial Report summarizes the 4 exhibits of appendix A, referred to above, and also the tentative milk program, thus setting forth all of the estimated receipts and expenditures in connection with commodity programs in effect or in process of development at the time the budget was prepared. This statement also sets forth estimated administrative expenses in connection with the development and execution of such programs, and the receipt of $3,000,000 which it was anticipated would be refunded to the Secretary by the Federal Surplus Relief Corporation for dry salt pork produced under the emergency hog program and delivered to the Federal Emergency Relief Administration.

In preparing the 1935 budget, it was necessary to estimate what activities would be carried on at the completion of the current programs, some of which provide for their extension under certain conditions. It was concluded, therefore, that for budgetary purposes the following assumptions would be used:

1. The 1934 cotton acreage reduction program would be repeated in 1935.
2. Wheat payments would be made in 1935 with respect to the 1934 crop equal to those being made in 1934 with respect to the 1933 crop.
3. The corn-hog program would be repeated except as to the emergency hog purchase of last autumn, which involved approximately $35,000,000.
4. Payments in consideration of reduction of tobacco production would be continued for the 1935 crop.
5. The tentative dairy program would be repeated.
6. Processing tax levies would be correspondingly extended.

Exhibit 5 sets forth the adjustments made to the statement referred to above, in order to reflect these assumptions.

The adjusted totals of receipts and expenditures, as shown in exhibit 5, appended hereto, have been tabulated according to the fiscal years in which they will occur, as shown in the third statement given in the Financial Report.

It should be borne in mind when considering the figures contained in this appendix, as well as budget estimates in the Financial Report, that they represent merely the best estimate that could be made at the time of preparation of the 1935 budget. Covering, as they do, several years, the estimates will necessarily be subject to future modification. It is highly probable that changes will be effected as a result of circumstances which could not be forseen in advance.

Exhibit 1.—Cotton Program

Estimated collections and expenditures covering marketing period Aug. 1, 1933, to July 31, 1935

SUMMARY

	Fiscal years		1936	Total
	1934	1935		
Net collections:				
Processing taxes [1]	$123,000,000	$121,000,000	*$7,000,000*	$237,000,000
Compensating taxes	6,700,000	14,000,000	1,300,000	22,000,000
Total net collections [1]	129,700,000	135,000,000	*5,700,000*	259,000,000
Expenditures:				
Rental and benefit payments	162,388,000	79,848,000		242,236,000
Excess of collections over expenditures [1]	*32,688,000*	55,152,000	*5,700,000*	16,764,000
Estimated administrative expense (see table 34 in Financial Report)				10,527,757
Balance after administrative expenses				6,236,243

[1] Figures in italics represent an excess of outgo over income.

Estimated collections of taxes and expenditures with respect to cotton

FISCAL YEAR ENDING JUNE 30, 1934

Collections:	
Processing tax (cotton)—4,600,000 bales at 4.2 cents per pound, net weight	$92,000,000
Floor stocks tax—1,750,000 bales at 4.2 cents per pound, net weight	35,000,000
Import compensating tax (cotton manufactures), 50,000 bales at 4.2 cents per pound, net weight	1,000,000
Compensating tax (jute), 162,000,000 pounds, at 2.9 cents	4,700,000
Floor stocks tax (jute), 27,600,000 pounds at 2.9 cents	800,000
Compensating tax (paper) [1]	1,000,000
Floor stocks tax (paper)	200,000
Gross revenue	134,700,000
Less refunds of processing taxes:	
Charitable organizations (cotton)—50,000 bales, at 4.2 cents per pound, net weight	1,000,000
Drawbacks on exports (cotton manufactures)—200,000 bales, at 4.2 cents per pound, net weight	4,000,000
Total refunds	5,000,000
Net collections	129,700,000
Expenditures:	
Rental and benefit payments—	
1933 crop	112,000,000
1934 crop (one half rental payments)	50,388,000
Total expenditures	162,388,000
Excess of expenditures over collections as of June 30, 1934	32,688,000

FISCAL YEAR ENDING JUNE 30, 1935

Collections:	
Processsing tax (cotton)—6,250,000 bales, at 4.2 cents per pound, net weight	$125,000,000
Compensating taxes (imports of cotton manufactures)—50,000 bales, at 4.2 cents per pound, net weight	1,000,000
Jute—379,310,000 pounds, at 2.9 cents per pound	11,000,000
Paper, at rates stated above	3,000,000
Gross revenue	140,000,000
Less refunds of taxes:	
Charitable organizations (cotton)—50,000 bales, at 4.2 cents per pound, net weight	1,000,000
Drawbacks on exports (cotton manufactures)—200,000 bales, at 4.2 cents per pound, net weight	4,000,000
Total refunds	5,000,000
Net collections	135,000,000

[1] Rates of tax on processing of paper into articles: Multi-wall bags, 2.04 cents per pound; coated bags, 3.36 cents per pound; open-mesh bags, 2.14 cents per pound; towels, 0.715 cent per pound; and gummed-paper tape, 4.06 cents per pound.

Estimated collections of taxes and expenditures with respect to cotton—Continued

FISCAL YEAR ENDING JUNE 30, 1935—Continued

Expenditures:	
Rental and benefit payments—	
1934 crop (one half rental payments) second half	$50,388,000
1934 crop benefit payments	29,460,000
Total expenditures	79,848,000
Excess of collections over expenditures for the fiscal year 1935	55,152,000
Deduct, deficit carried over from previous year	33,688,000
Excess of collections over expenditures, as of June 30, 1935	22,464,000

FISCAL YEAR ENDING JUNE 30, 1936

Collections:	
Processing tax (on consumption, May to July, inclusive) cotton—1,400,000 bales, at 4.2 cents per pound, net weight	28,000,000
Compensating tax—	
Jute, 62,000,000 pounds, at 2.9 cents per pound	1,800,000
Paper, at rates stated above	500,000
Gross revenue	30,300,000
Less refunds:	
Floor stocks taxes—	
Cotton	35,000,000
Jute	800,000
Paper	200,000
Total refunds	36,000,000
Net tax loss for year	5,700,000
Expenditures:	
Shortage of collections below expenditures for the fiscal year 1936	5,700,000
Add balance carried forward from previous fiscal year	22,464,000
Excess of collections over expenditures as of June 30, 1936	16,764,000

Exhibit 2.—Wheat Program

Estimated collections and expenditures covering marketing period July 9, 1933, to June 30, 1934 [1]

SUMMARY

	Fiscal years		Total
	1934	1935	
Net Collections:			
Processing taxes	$105,000,000	$3,000,000	$108,000,000
Expenditures:			
Rental and benefit payments	73,000,000	29,200,000	102,200,000
Removal of surplus	8,000,000		8,000,000
Total expenditures	81,000,000	29,200,000	110,200,000
Balance [2]	24,000,000	*26,200,000*	*2,200,000*
Estimated administrative expense (see statement no. 2 in Financial Report)			4,300,060
Excess of expenditures over collections			*6,500,060*

[1] No estimate included of taxes which may be levied and expenditures which may be made in subsequent periods as provided in wheat contract; see explanation in Financial Report.
[2] Figures in italics represent an excess of outgo over income.

Collections of taxes and expenditures with respect to wheat

FISCAL YEAR ENDING JUNE 30, 1934

Collections:			
Processing taxes (350,000,000 bushels at 30 cents)	$105, 000, 000		
Floor tax (40,000,000 bushels at 30 cents)	12, 000, 000		
Gross revenue		$117, 000, 000	
Less refunds of processing taxes:			
Charitable organizations (25,000,000 bushels at 30 cents)	$7, 500, 000		
Drawbacks on exports (15,000,000 bushels at 30 cents)	4, 500, 000		
		12, 000, 000	
Net collections			$105, 000, 000
Expenditures:			
Rental and benefit payments (365,000,000 bushels at 20 cents)		$73, 000, 000	
Removal of surplus agricultural products (32,000,000 bushels at 25 cents)		8, 000, 000	
Total expenditures			81, 000, 000
Excess of collections over expenditures as of June 30, 1934			24, 000, 000

FISCAL YEAR ENDING JUNE 30, 1935

Processing tax (50,000,000 bushels at 30 cents)	$15, 000, 000	
Less refunds of floor stock tax	12, 000, 000	
Net collections		$3, 000, 000
Expenditures:		
Rental and benefit payments (365,000,000 bushels at 8 cents)	29, 200, 000	
Total expenditures		29, 200, 000
Excess of expenditures over collections fiscal year 1935		26, 200, 000
Balance carried forward from previous fiscal year		24, 000, 000
Net deficit for program		2, 200, 000

Exhibit 3.—Corn-Hog Program

Estimated collections and expenditures covering marketing period Nov. 5, 1933 to Nov. 4, 1935

SUMMARY

Net collections:		
Processing taxes	$394, 700, 000	
Bankhead fund	37, 000, 000	
Total net collections		$431, 700, 000
Expenditures:		
Rental and benefit	365, 000, 000	
Removal of surplus	65, 000, 000	
Total expenditures		430, 000, 000
Excess of collections over expenditures		1, 700, 000
Estimated administrative expense (see table 34, in Financial Report)		9, 338, 107
Deficit after administrative expense		7, 638, 107
Estimated reimbursement by Federal Surplus Relief Corporation (see table 34, in Financial Report)		3, 000, 000
Final estimated excess of expenditures over receipts		4, 638, 107

Estimated receipts and expenditures with respect to corn-hog program

SUMMARY BY FISCAL YEARS

	Total	Hogs	Corn
FISCAL YEAR 1934			
Net collections	$109,637,000	$98,675,000	$10,962,000
Expenditures	227,500,000	145,000,000	82,500,000
Excess of expenditures over collections [1]	*117,863,000*	*46,325,000*	*71,538,000*
Add Bankhead fund	37,000,000		37,000,000
Net deficit, June 30, 1934	*80,863,000*	*46,325,000*	*34,538,000*
FISCAL YEAR 1935			
Net collections	207,493,000	187,500,000	19,993,000
Expenditures	202,500,000	120,000,000	82,500,000
Balance of collections	4,993,000	67,500,000	*62,507,000*
Add deficit from previous years [1]	*80,863,000*		*34,538,000*
Net deficit, June 30, 1935 [1]	*75,870,000*	21,175,000	*97,045,000*
FISCAL YEAR 1936			
Net collections	77,570,000	69,625,000	7,945,000
Add deficit from previous years [1]	*75,870,000*	21,175,000	*97,045,000*
Net surplus [1]	1,700,000	90,800,000	*89,100,000*

[1] Figures in italics represent an excess of outgo over income.

Estimated receipts and expenditures for both corn and hogs

FISCAL YEAR ENDING JUNE 30, 1934

Collections:			
Processing taxes:			
Hogs (70,166,666 hundredweight, at 50 cents to $2) [1]	$108,000,000		
Corn (63,500,000 bushels, at 5 to 20 cents)	11,000,000		
		$119,000,000	
Floor tax:			
Hogs (8,000,000 hundredweight, at 50 cents)	4,000,000		
Corn (10,000,000 bushels, at 5 cents)	500,000		
		4,500,000	
Gross revenue			$123,500,000
Less refunds of processing taxes:			
Charitable organizations:			
Hogs (3,000,000 hundredweight, at $1.50 to $2)	5,700,000		
Corn (740,000 bushels, at 5 to 20 cents)	136,000		
		5,836,000	
Drawbacks on exports:			
Hogs (4,916,666 hundredweight, at 50 cents to $2)	7,625,000		
Corn (2,280,000 bushels, at 5 to 20 cents)	402,000		
		8,027,000	
			13,863,000
Net collections			109,637,000
Add Bankhead fund			37,000,000
Total revenue			146,637,000
Expenditures:			
Rental and benefit payments:			
Hogs (40,000,000 head, at $2)	80,000,000		
Corn (550,000,000 bushels, at 15 cents)	82,500,000		
		162,500,000	
Removal of surplus pork:			
Emergency program (6,200,000 pigs and sows)	35,000,000		
Relief operations	30,000,000		
		65,000,000	
Total expenditures [2]			227,500,000
Excess of expenditures over collections as of June 30, 1934			80,863,000

[1] Since this table was prepared the tax returns have been revised, postponing the date of tax increase and raising the maximum tax rate to $2.25. The total estimated allowance will be somewhat increased.

[2] Includes administrative expenses. A total of $14,000,000 estimated administrative expenses has been included in the estimated expenditures of the entire corn-hog program covering a 2-year period.

Estimated receipts and expenditures for both corn and hogs—Continued

FISCAL YEAR ENDING JUNE 30, 1935

Collections:			
Processing taxes:			
Hogs (105,000,000 hundredweight, at $2)		$210,000,000	
Corn (105,125,000 bushels, at 20 cents)		21,025,000	
Gross revenue			$231,025,000
Less refunds of processing taxes:			
Charitable organizations:			
Hogs (3,000,000 hundredweight, at $2)	$6,000,000		
Corn (1,320,000 bushels, at 20 cents)	264,000		
		6,264,000	
Drawbacks on exports:			
Hogs (8,250,000 hundredweight, at $2)	16,500,000		
Corn (3,840,000 bushels, at 20 cents)	768,000		
		17,268,000	
Total refunds			23,532,000
Net collections			207,493,000
Expenditures:			
Rental and benefit payments:			
Hogs (40,000,000 head, at $3)		120,000,000	
Corn (550,000,000 bushels, at 15 cents)		82,500,000	
Total expenditures			202,500,000
Excess of collections over expenditures for fiscal year 1935			4,993,000
Deduct deficit carried forward from fiscal year 1934			80,863,000
Excess of expenditures over collections as of June 30, 1935			75,870,000

FISCAL YEAR ENDING JUNE 30, 1936

Collections:			
Processing taxes:			
Hogs (40,000,000 hundredweight at $2)		$80,000,000	
Corn (44,375,000 bushels at 20 cents)		8,875,000	
Gross revenue			$88,875,000
Less refunds of processing taxes:			
Charitable organizations:			
Corn (550,000 bushels at 20 cents)		110,000	
Drawbacks on exports:			
Hogs (3,187,500 hundredweight at $2)	$6,375,000		
Corn (1,600,000 bushels at 20 cents)	320,000		
		6,695,000	
Floor stocks:			
Hogs	4,000,000		
Corn	500,000		
		4,500,000	
Total refunds			11,305,000
Net collections			77,570,000
Expenditures			None
Excess of collections over expenditures for fiscal year 1936			77,570,000
Deduct deficit carried forward from fiscal year 1936			75,870,000
Excess of collections over expenditures for entire corn-hog program			1,700,000

Estimated receipts and expenditures for hogs

FISCAL YEAR ENDING JUNE 30, 1934

Collections:		
Processing tax (70,166,666 hundredweight at 50 cents to $2)	$108,000,000	
Floor tax (8,000,000 hundredweight at 50 cents)	4,000,000	
Gross revenue		$112,000,000
Less refunds of processing tax:		
Charitable organizations (3,000,000 hundredweight at $1.50 to $2)	5,700,000	
Drawbacks on exports (4,916,666 hundredweight at 50 cents to $2)	7,625,000	
Total refunds		13,325,000
Net collections		98,675,000
Expenditures:		
Rental and benefit payments (40,000,000 head at $2)	80,000,000	
Removal of surplus pork:		
Emergency program (6,200,000 pigs and sows)	35,000,000	
Emergency relief operations	30,000,000	
Total expenditures [2]		145,000,000
Excess of expenditures over collections as of June 30, 1934, hogs		46,325,000

Estimated receipts and expenditures for hogs—Continued

FISCAL YEAR ENDING JUNE 30, 1935

Collections, processing taxes, (105,000,000 hundredweight at $2)		$210, 000, 00
Less refunds of processing taxes:		
Charitable organizations (3,000,000 hundredweight at $2)	$6, 000, 000	
Drawbacks on exports (8,250,000 at $2)	16, 500, 000	
		22, 500, 000
Net collections		187, 500, 000
Expenditures, rental and benefit payments (40,000,000 head at $3)		120, 000, 000
Excess of collections over expenditures for fiscal year 1935		67, 500, 000
Deduct deficit carried forward from fiscal year 1934		46, 325, 000
Excess of collections over expenditures as of June 30, 1935, hogs		21, 175, 000

FISCAL YEAR ENDING JUNE 30, 1936

Collections, processing taxes (40,000,000 hundredweight at $2)		$80, 000, 000
Less refunds of processing taxes:		
Drawbacks on exports (3,187,500 hundredweight at $2)	$6, 375, 000	
Floor stocks	4, 000, 000	
		10, 375, 000
Net collections		69, 625, 000
Expenditures		None
Excess of collections over expenditures, fiscal year 1936		69, 625, 000
Add surplus carried forward from fiscal year 1935		21, 175, 000
Excess of collections over expenditures, for entire hog program		90, 800, 000

Estimated receipts and expenditures for corn

FISCAL YEAR ENDING JUNE 30, 1934

Collections:		
Processing tax (63,500,000 bushels at 5 to 20 cents)	$11, 000, 000	
Floor tax (10,000,000 bushels at 5 cents)	500, 000	
Gross revenue		$11, 500, 000
Less refunds of processing taxes:		
Charitable organizations (740,000 bushels at 5 to 20 cents)	136, 000	
Drawbacks on exports (2,280,000 bushels at 5 to 20 cents)	402, 000	
Total refunds		538, 000
Net collections		10, 962, 000
Add Bankhead fund		37, 000, 000
Gross revenue		47, 962, 000
Expenditures, rental and benefit payments (550,000,000 bushels, at 15 cents) [2]		82, 500, 000
Excess of expenditures over collections as of June 30, 1934—Corn		34, 538, 000

FISCAL YEAR ENDING JUNE 30, 1935

Collections, processing taxes (105,125,000 bushels, at 20 cents)		$21, 025, 000
Less refunds from processing taxes:		
Charitable organizations (1,320,000 bushels, at 20 cents)	$264, 000	
Drawbacks on exports (3,840,000 bushels, at 20 cents)	768, 000	
		1, 032, 000
Net collections		19, 993, 000
Expenditures, rental and benefit payments (550,000,000 bushels, at 15 cents)		82, 500, 000
Excess of expenditures over collections, fiscal year 1935		62, 507, 000
Add deficit carried forward from fiscal year 1934		34, 538, 000
Excess of expenditures over collections as of June 30, 1935		97, 045, 000

FISCAL YEAR ENDING JUNE 30, 1936

Collections, processing taxes (44,375,000 bushels, at 20 cents)		$8, 875, 000
Less refunds of processing taxes:		
Charitable organizations (550,000 bushels, at 20 cents)	$110, 000	
Drawbacks on exports (1,600,000 bushels, at 20 cents)	320, 000	
Floor stocks	500, 000	
		930, 000
Net collections		7, 945, 000
Expenditures		None.
Excess of collections over expenditures, fiscal year 1936		7, 945, 000
Deduct deficit carried forward from fiscal year 1935		97, 045, 000
Excess of expenditures over collections for entire corn program		89, 100, 000

Exhibit 4.—Tobacco Programs

Estimated collections and expenditures covering marketing period Oct. 1, 1933, to Sept. 30, 1935

SUMMARY

	Fiscal years 1934	Fiscal years 1935	1936	Total
Net collections, processing taxes	$17,177,475	$24,165,175	$7,053,155	$48,395,805
Expenditures:				
Rental and benefit payments	15,269,000	24,391,000	80,000	39,740,000
Excess of collections over expenditures	1,908,475	225,825	6,973,155	8,655,805
Estimated administrative expense (see table 34, in financial report)				1,760,812
Net balance after deduction of administrative expenses				6,894,993

TOBACCO PROGRAMS [1]

Type	Month in which preparation usually begins	Month of following year in which marketing is usually completed	Month when payments may begin	Month of following year when final payments will be completed
Flue-cured	January	February	January	June.
Cigar	do	April	July	Do.
Burley	March	February	January	May.
Maryland	do	December	do	December.
Dark-fired	do	May	do	June.
Dark air-cured	do	March	do	Do.

[1] The marketing year for all types of tobacco has been set by the Secretary as beginning Oct. 1 and ending Sept. 30 of the following year.

Estimated collections and expenditures with respect to tobacco

FISCAL YEAR 1933–34

	Quantity	Tax per unit	Amount
COLLECTIONS [2]			
Processing taxes [3]		*Cents*	
Cigar leaf (pounds)	113,300,000	3.0	$3,400,000
Flue-cured (pounds)	183,300,000	4.2	7,733,000
Burley (pounds)	176,700,000	2.0	3,533,000
Maryland (pounds)	6,000,000	1.7	133,000
Fire-cured (pounds)	24,000,000	2.9	667,000
Dark air-cured (pounds)	21,300,000	3.0	733,000
Total processing taxes			16,199,000
Floor stock taxes:			
Cigarettes (thousands)	4,400,000	6.2	[4] 272,800
Granulated smoking (pounds)	2,540,000	3.7	[4] 94,000
Other smoking (pounds)	7,850,000	1.2	[5] 94,200
Plug chewing (pounds)	5,160,000	.9	[5] 46,400
Other chewing (pounds)	690,000	2.7	[6] 18,600
Snuff (pounds)	2,690,000	3.0	[7] 80,700
Cigars (thousands)	308,000	88.9	[8] 273,800
Scrap chewing (pounds)	3,700,000	3.3	[8] 121,800
Total floor taxes			1,002,300
Compensating taxes (import):			
Cigars (pounds)	2,333,000	5.0	116,600
Cigarettes (pounds)	11,750	2.0	250
Other manufacturing (pounds)	43,000	3.1	1,300
Total compensating taxes			118,150
Gross revenue			17,319,450

[2] Collections and refunds for 1933–34 are on 8-month basis, as revenues are not due until month following one in which incurred.

[3] Green weight.
[4] Flue cured.
[5] Burley.
[6] Dark air-cured.
[7] Dark-fired.
[8] Cigar.

Estimated collections and expenditures with respect to tobacco—Continued

FISCAL YEAR 1933-34—Continued

	Quantity	Tax per unit	Amount
REFUNDS			
Exports and drawbacks:		Cents	
Cigarettes (thousands)	1, 834, 000	6. 2	$114, 000
Granulated smoking (pounds)	130, 000	3. 7	4, 800
Other smoking (pounds)	520, 000	1. 2	6, 200
Plug chewing (pounds)	1, 190, 000	. 9	10, 700
Other chewing (pounds)	150, 000	2. 7	3, 900
Snuff (pounds)	13, 000	3. 0	400
Cigars (thousands)	301, 200	88. 9	1, 100
Total export and drawback refunds			141, 100
Charitable:			
Cigarettes (thousands)	13, 300	6. 2	800
Granulated smoking (pounds)	1, 300	3. 7	50
Other smoking (pounds)	2, 000	1. 2	25
Total charitable refunds			875
Total refunds			141, 975
Net collections			17, 177, 475

	Crop	Amount
EXPENDITURES		
Rental payments:		
Cigar leaf	1933	$1, 250, 000
Flue-cured	1934	4, 300, 000
Burley	1934	3, 000, 000
Maryland	1934	70, 000
Fire-cured	1934	444, 000
Dark air-cured	1934	180, 000
Total rental payments		9, 244, 000
Benefit payments:		
Cigar leaf	1933	1, 750, 000
Flue-cured	1934	[9] 4, 275, 000
Total benefit payments		6, 025, 000
Total expenditures		15, 269, 000
Excess of collections over expenditures as of June 30, 1934		1, 908, 475

[9] Equalizing payment.

Estimated collections and expenditures with respect to tobacco, fiscal year 1934–35

	Units	Tax per unit	Amount
COLLECTIONS		*Cents*	
Balance from 1933–34			$1,908,475
Processing taxes:			
Cigar leaf (pounds)	170,000,000	3.0	5,100,000
Flue-cured (pounds)	275,000,000	4.2	11,550,000
Burley (pounds)	265,000,000	2.0	5,300,000
Maryland (pounds)	9,000,000	1.7	150,000
Fire-cured (pounds)	36,000,000	2.9	1,050,000
Dark air-cured (pounds)	32,000,000	3.3	1,050,000
Total processing taxes			24,200,000
Compensating taxes (import):			
Cigars (pounds)	3,500,000	5.0	175,000
Cigarettes (pounds)	5,300	6.2	300
Other manufactures (pounds)	64,000	3.1	2,000
Total compensating taxes			177,300
Gross revenue			26,285,775
REFUNDS			
Export and drawback:			
Cigarettes (thousands)	2,750,000	6.2	170,500
Granulated smoking (pounds)	195,000	3.7	7,200
Other smoking (pounds)	780,000	1.2	9,400
Plug chewing (pounds)	1,800,000	.9	16,200
Other chewing (pounds)	200,000	2.7	5,400
Snuff (pounds)	20,000	3.0	600
Cigars (thousands)	1,800	88.9	1,500
Total export and drawback refunds			210,800
Charitable:			
Cigarettes (thousands)	20,000	6.2	1,200
Granulated smoking (pounds)	2,000	3.7	75
Other smoking (pounds)	3,000	1.2	50
Total charitable refunds			1,325
Total refunds			212,125
Net collections			26,073,650

	Crop	Amount
EXPENDITURES		
Rental payments: Cigar leaf	1934	$1,000,000
Total rental payments		1,000,000
Benefit payments: [10]		
Cigar leaf	1934	1,500,000
Flue-cured	1934	8,000,000
Burley	1934	11,950,000
Fire-cured	1934	1,354,000
Dark air-cured	1934	587,000
Total benefit payments		23,391,000
Total expenditures		24,391,000
Excess of collections over expenditures as of June 30, 1935		1,682,650

[10] Include administrative expenses for project.

Estimated collections and expenditures with respect to tobacco

JULY 1, 1935–SEPT. 30, 1935

	Units	Tax per unit	Amount
COLLECTIONS [11]		Cents	
Balance from 1934-35			$1,682,650
Processing taxes:			
Cigar leaf (pounds)	56,667,000	3.0	1,700,000
Flue-cured (pounds)	91,667,000	4.2	3,850,000
Burley (pounds)	88,333,000	2.0	1,767,000
Maryland (pounds)	3,000,000	1.7	50,000
Fire-cured (pounds)	12,000,000	2.9	350,000
Dark air-cured (pounds)	10,667,000	3.3	350,000
Total processing taxes			8,067,000
Compensating taxes (import):			
Cigars (pounds)	1,167,000	5.0	58,300
Cigarettes (pounds)	1,800	6.2	100
Other manufactured (pounds)	21,300	3.1	700
Total compensating taxes			59,100
Gross revenue			9,808,750
REFUNDS			
Export and drawback: [12]			
Cigarettes (thousands)	917,000	6.2	56,800
Granulated smoking (pounds)	65,000	3.7	2,400
Other smoking (pounds)	260,000	1.2	3,100
Plug chewing (pounds)	600,000	.9	5,400
Other chewing (pounds)	67,000	2.7	1,800
Snuff (pounds)	7,000	3.0	200
Cigars (thousands)	600	88.9	500
Total export and drawback refunds			70,200
Charitable: [12]			
Cigarettes (thousands)	7,000	6.2	400
Granulated smoking (pounds)	700	3.7	25
Other smoking (pounds)	1,000	1.2	20
Total charitable refunds			445
Floor tax refunds:			
Cigarettes (thousands)	4,400,000	6.2	272,800
Granulated smoking (pounds)	2,750,000	3.7	94,000
Other smoking (pounds)	8,500,000	1.2	94,200
Plug chewing (pounds)	5,600,000	.9	46,400
Other chewing (pounds)	750,000	2.7	18,600
Snuff (pounds)	3,000,000	3.0	80,700
Cigars (thousands)	330,000	88.9	273,800
Scrap chewing (pounds)	4,000,000	3.3	121,800
Total floor tax refunds			1,002,300
Total refunds			1,072,945
Net revenue			8,735,805

EXPENDITURES	
Benefit: Maryland (1934)	80,000
Total expenditures	80,000
Excess of collections over expenditures as of Sept. 30, 1935	8,655,805

[11] Collections for 4 months, because 1 month's taxes are due when processing taxes are removed.
[12] Refunds for 4 months, because refunds are not allowed until first month following 1 in which incurred.

EXHIBIT 5.—RECAPITULATION OF COMMODITY BUDGET ESTIMATES

	Grand total	Cotton			Wheat		
		Approved program	1 year's extension	Total	Approved program	1 year's extension	Total
Collections (net):							
Processing tax	$1,494,360,805	$237,000,000	$121,000,000	$358,000,000	$108,000,000	$115,500,000	$223,500,000
Compensating tax	36,000,000	22,000,000	14,000,000	36,000,000			
Bankhead fund	37,000,000						
Total	1,567,360,805	259,000,000	135,000,000	394,000,000	108,000,000	115,500,000	223,500,000
Expenditures:							
Rental and benefit	1,410,912,000	242,236,000	130,236,000	372,472,000	102,200,000	102,200,000	204,400,000
Removal of surplus	137,000,000				8,000,000	10,000,000	18,000,000
Total	1,547,912,000	242,236,000	130,236,000	372,472,000	110,200,000	112,200,000	222,400,000
Balance—Surplus [1]	19,448,805	16,764,000	4,764,000	21,528,000	*2,200,000*	3,300,000	1,100,000
Less: Estimated administrative expenses chargeable to commodity programs	26,125,839	10,527,757		10,527,757	4,300,060		4,300,060
Surplus or deficit [1]	*6,677,034*	6,236,243	4,764,000	11,000,243	*6,500,060*	3,300,000	*3,200,060*
Reimbursement of Secretary by Federal Emergency Relief Administration for dry salt pork produced under emergency hog program	3,000,000						
Net deficit on completion of all programs [1]	*3,677,034*						

[1] Figures in italics represent an excess of outgo over income.

	Corn-hogs			Tobacco			Dairy		
	Approved program	Repetition	Total	Approved program	1 year's extension	Total	Tentative program	Repetition	Total
Collections (net):									
Processing tax	$394, 700, 000	$394, 700, 000	$789, 400, 000	$48, 395, 805	$24, 065, 000	$72, 460, 805	$25, 500, 000	$25, 500, 000	$51, 000, 000
Compensating tax									
Bankhead fund	37, 000, 000		37, 000, 000						
Total	431, 700, 000	394, 700, 000	826, 400, 000	48, 395, 805	24, 065, 000	72, 460, 805	25, 500, 000	25, 500, 000	51, 000, 000
Expenditures:									
Rental and benefit	365, 000, 000	365, 000, 000	730, 000, 000	39, 740, 000	38, 300, 000	78, 040, 000	13, 000, 000	13, 000, 000	26, 000, 000
Removal of surplus	65, 000, 000	30, 000, 000	95, 000, 000				12, 000, 000	12, 000, 000	24, 000, 000
Total	430, 000, 000	395, 000, 000	825, 000, 000	39, 740, 000	38, 300, 000	78, 040, 000	25, 000, 000	25, 000, 000	50, 000, 000
Balance—Surplus[1]	1, 700, 000	*300, 000*	1, 400, 000	8, 655, 805	*14, 235, 000*	*5, 579, 195*	500, 000	500, 000	1, 000, 000
Less: Estimated administrative expenses chargeable to commodity programs	9, 338, 107		9, 338, 107	1, 760, 812		1, 760, 812	199, 103		199, 103
Surplus or deficit[1]	*7, 638, 107*	*300, 000*	*7, 938, 107*	6, 894, 993	*14, 235, 000*	*7, 340, 007*	300, 897	500, 000	800, 897
Reimbursement of Secretary by Federal Emergency Relief Administration for dry salt pork produced under emergency hog program									
Net deficit on completion of all programs[1]									

[1] Figures in italics represent an excess of outgo over income.

APPENDIX B.—ACTUAL EXPENDITURES

There is presented below a report showing a detailed analysis of expenditures of the Agricultural Adjustment Administration from date of organization to December 31, 1933. The report consists of the following exhibits:

Exhibit 5: Summary of Expenditures, Classified by Character.
Exhibit 6: Rentals and Benefits, Classified by Commodities.
Exhibit 7: Removal of Surplus, Classified by Commodities.
Exhibit 8: Washington, D.C., General Expense, Objective Classification.
Exhibit 9: State Schedules of Rental and Benefit Payments, Analyzed by County and Commodity.

EXHIBIT 6.—SUMMARY OF EXPENDITURES THROUGH DEC. 31 1933 ANALYZED BY STATE AND CHARACTER

State	Total expenditures	Character of expenditures		
		General administration	Rental and benefits	Removal of surplus
Washington, D.C	$3,206,582.61	$2,845,399.60		$361,183.01
Alabama	9,918,696.37	381,689.12	$9,537,007.25	
Arizona	276,143.76	7,949.60	268,194.16	
Arkansas	10,952,641.08	285,042.26	10,667,598.82	
California	271,823.52	28,470.05	243,353.47	
Colorado	297,835.55	30,417.15	267,418.40	
Connecticut	178,087.62	8,329.63	169,757.99	
Delaware	69,453.22	3,021.82	66,431.40	
Florida	345,662.94	22,506.80	323,156.14	
Georgia	8,228,522.70	302,301.83	7,926,220.87	
Hawaii	2,266.53	2,266.53	(1)	
Idaho	39,618.82	27,238.02	12,380.80	
Illinois	23,649,620.61	65,358.00	649,567.84	22,934,694.77
Indiana	1,006,610.05	49,876.83	956,733.22	
Iowa	194,244.35	13,147.95	181,096.40	
Kansas	7,508,460.93	68,349.92	7,440,111.01	
Kentucky	168,331.08	14,905.28	153,425.80	
Louisiana	5,140,380.64	170,537.70	4,969,842.94	
Maine	1,306.35	1,306.35	(1)	
Maryland	528,861.54	30,136.24	498,725.30	
Massachusetts	93,759.12	15,446.02	78,313.10	
Michigan	398,247.33	32,496.53	365,750.80	
Minnesota	3,044,698.82	45,161.32	529,682.31	2,469,855.19
Mississippi	10,245,075.06	320,237.49	9,924,837.57	
Missouri	5,357,314.62	75,135.60	2,550,283.22	2,731,895.80
Montana	41,648.09	41,648.09	(2)	
Nebraska	15,440,206.48	63,484.02	1,011,917.17	14,364,805.29
Nevada	18,666.19	2,677.39	15,988.80	
New Hampshire	3,611.72	1,857.52	1,754.20	
New Jersey	21,631.49	15,483.89	6,147.60	
New Mexico	538,738.51	11,006.17	527,732.34	
New York	76,888.79	46,080.16	30,808.63	
North Carolina	2,977,590.28	147,673.56	2,829,916.72	
North Dakota	46,752.86	46,752.86	(2)	
Ohio	1,271,135.11	76,531.73	1,194,603.38	
Oklahoma	12,966,181.53	220,660.27	12,745,521.26	
Oregon	81,244.88	20,283.08	60,961.80	
Pennsylvania	458,136.38	39,254.75	418,881.63	
Rhode Island	1,390.91	1,390.91	(1)	
South Carolina	4,871,796.59	186,866.40	4,684,930.19	
South Dakota	756,351.99	56,626.39	699,725.60	
Tennessee	3,463,767.45	106,319.86	3,357,447.59	
Texas	45,311,937.94	731,060.57	44,580,877.37	
Utah	258,236.55	14,305.75	243,930.80	
Vermont	4,884.09	2,499.64	2,384.45	
Virginia	506,504.00	46,490.88	460,013.12	
Washington	499,235.46	17,213.78	16,091.60	465,930.08
West Virginia	57,866.58	14,701.18	43,165.40	
Wisconsin	393,307.48	33,534.04	359,773.44	
Wyoming	15,563.23	11,537.63	4,025.60	
Totals	181,207,519.80	6,802,668.16	131,076,487.50	43,328,364.14

[1] Payments with respect to wheat commenced subsequent to the date of this statement.
[2] No contracts received as of the date of this statement which will result in rental or benefit payments.

Exhibit 7.—Rental and Benefit Payments Through Dec. 31, 1933, Analyzed by State and Commodity

State	Total	Cotton	Wheat	Tobacco
Alabama	$9, 537, 007. 25	$9, 537, 007. 25		
Arizona	268, 194. 16	258, 381. 96	$9, 812. 20	
Arkansas	10, 667, 598. 82	10, 667, 598. 82		
California	243, 353. 47	160, 781. 67	82, 571. 80	
Colorado	267, 418. 40		267, 418. 40	
Connecticut	169, 757. 99			$169, 757. 99
Delaware	66, 431. 40		66, 431. 40	
Florida	323, 156. 14	260, 050. 09		63, 106. 05
Georgia	7, 926, 220. 87	7, 904, 830. 27		21, 390. 60
Idaho	12, 380. 80		12, 380. 80	
Illinois	649, 567. 84		649, 384. 29	183. 55
Indiana	956, 733. 22		955, 383. 02	1, 350. 20
Iowa	181, 096. 40		181, 096. 40	
Kansas	7, 440, 111. 01	3, 052. 00	7, 437, 059. 01	
Kentucky	153, 425. 80	41, 865. 00	111, 560. 80	
Louisiana	4, 969, 842. 94	4, 969, 842. 94		
Maryland	498, 725. 30		498, 725. 30	
Massachusetts	78, 313. 10			78, 313. 10
Michigan	365, 750. 80		365, 750. 80	
Minnesota	529, 682. 31		517, 845. 80	11, 836. 51
Mississippi	9, 924, 837. 57	9, 924, 837. 57		
Missouri	2, 550, 283. 22	1, 837, 213. 68	713, 069. 54	
Nebraska	1, 011, 917. 17		1, 011, 917. 17	
Nevada	15, 988. 80		15, 988. 80	
New Hampshire	1, 754. 20			1, 754. 20
New Jersey	6, 147. 60		6, 147. 60	
New Mexico	527, 732. 34	360, 424. 90	167, 307. 44	
New York	30, 808. 63		10, 160. 00	20, 648. 63
North Carolina	2, 829, 916. 72	2, 808, 645. 32	21, 271. 40	
Ohio	1, 194, 603. 38		954, 389. 00	240, 214. 38
Oklahoma	12, 745, 521. 26	11, 595, 657. 46	1, 149, 863. 80	
Oregon	60, 961. 80		60, 961. 80	
Pennsylvania	418, 881. 63		98, 705. 60	320, 176. 03
South Carolina	4, 684, 930. 19	4, 684, 930. 19		
South Dakota	699, 725. 60		699, 725. 60	
Tennessee	3, 357, 447. 59	3, 290, 806. 19	66, 641. 40	
Texas	44, 580, 877. 37	42, 970, 646. 63	1, 610, 230. 74	
Utah	243, 930. 80		243, 930. 80	
Vermont	2, 384. 45			2, 384. 45
Virginia	460, 013. 12	128, 672. 93	331, 340. 19	
Washington	16, 091. 60		16, 091. 60	
West Virginia	43, 165. 40		43, 165. 40	
Wisconsin	359, 773. 44		16, 441. 00	343, 332. 44
Wyoming	4, 025. 60		4, 025. 60	
Totals	131, 076, 487. 50	111, 405, 244. 87	18, 396, 794. 50	1, 274, 448. 13

Exhibit 8.—Removal of Surplus Through Dec. 31, 1933, Analyzed by Disbursing Office and Commodity

Disbursing office	Total	Hogs	Wheat	Butter
Washington, D.C	$361, 183. 01	$361, 183. 01		
Chicago, Ill	22, 934, 694. 77	15, 990, 516. 59		$6, 944, 178. 18
Omaha, Nebr	14, 364, 805. 29	14, 364, 805. 29		
St. Louis, Mo	2, 731, 895. 80	2, 731, 895. 80		
Fort Snelling, Minn	2, 469, 855. 19			2, 469, 855. 19
Vancouver Barracks, Wash	465, 930. 08		$465, 930. 08	
Totals	43, 328, 364. 14	33, 448, 400. 69	465, 930. 08	9, 414, 033. 37

Exhibit 9.—Washington, D.C., General Expenses

Through Dec. 31, 1933, objective classification

Classification	Total	Agricultural Adjustment Administration	Internal Revenue [1]	Treasurer of the United States [2]
Salaries	$1,514,199.95	$1,468,878.50	$35,695.91	$9,625.54
Other expenses:				
Supplies	36,960.20	28,934.64	8,005.66	19.90
Communication	21,128.73	20,364.08	764.65	
Travel	44,761.24	42,154.72	2,606.52	
Transportation of things	3,492.85	2,794.31	698.54	
Printing and binding	59,075.87	21,302.35	37,773.52	
Rent of equipment	396.17	396.17		
Equipment	206,554.78	179,683.14	25,007.28	1,864.36
Transfer, Department of Commerce	5,500.00	5,500.00		
Miscellaneous	6,975.70	6,925.82	49.88	
Total, other expenses	384,845.54	308,055.23	74,906.05	1,884.26
Total, Washington, D.C., general expenses	1,899,045.49	1,776,933.73	110,601.96	11,509.80

[1] Expenditures to Nov. 30, 1933. December expenditures are not yet available. These amounts represent expenses in Washington of the Bureau of Internal Revenue in connection with the collection of processing and other taxes in accordance with sec. 19 (*a*) of the Agricultural Adjustment Act.
[2] Expenses incurred by the Treasurer in connection with the cancelation of rental and benefit checks.

Exhibit 10.—Rental and Benefit Payments

Through Dec. 31, 1933, by States and counties

ALABAMA

County	Cotton	County	Cotton	County	Cotton
Autauga	$137,597.15	Dallas	$181,032.57	Marion	$116,242.65
Baldwin	13,849.52	DeKalb	278,123.50	Marshall	242,535.08
Barbour	114,590.75	Elmore	199,034.55	Mobile	17,191.83
Bibb	56,118.17	Escambia	102,576.35	Monroe	166,189.62
Blount	146,274.67	Etowah	165,931.69	Montgomery	110,501.77
Bullock	76,656.50	Fayette	74,776.22	Morgan	216,761.27
Butter	174,080.96	Franklin	131,407.24	Perry	158,191.56
Calhoun	107,858.13	Geneva	167,428.29	Pickens	136,031.75
Chambers	159,964.85	Greene	96,344.04	Pike	155,049.26
Cherokee	199,225.60	Hale	150,072.70	Randolph	157,960.35
Chelton	177,595.85	Henry	144,346.84	Russell	96,682.75
Choctaw	77,560.50	Houston	236,259.50	St. Clair	73,749.07
Clarke	70,449.25	Jackson	151,174.90	Shelby	76,953.46
Clay	98,705.10	Jefferson	50,403.20	Sumter	102,427.73
Cleburne	60,049.50	Lamar	119,963.47	Talladega	165,188.62
Coffee	177,772.50	Lauderdale	240,418.80	Tallapoosa	155,049.32
Colbert	149,094.81	Lawrence	243,934.50	Tuscaloosa	127,670.39
Conecuh	103,276.63	Lee	160,876.31	Walker	88,296.09
Coosa	56,560.50	Limestone	326,679.55	Washington	21,248.01
Covington	207,557.00	Lowndes	85,528.25	Wilcox	106,560.79
Crenshaw	139,777.00	Macon	117,196.00	Winston	98,592.43
Cullman	301,055.64	Madison	420,065.96		
Dale	83,289.34	Marengo	215,399.10	Total	9,537,007.25

ARIZONA

County	Total	Cotton	Wheat
Graham	$27,226.80	$24,571.00	$2,655.80
Greenlee	154.20		154.20
Maricopa	121,649.20	114,647.00	7,002.20
Pinal	89,769.00	89,769.00	
Yuma	29,394.96	29,394.96	
Total	268,194.16	258,381.96	9,812.20

Exhibit 10.—Rental and Benefit Payments—Continued

Through Dec. 31, 1933, by States and counties—Continued

ARKANSAS

County	Cotton	County	Cotton	County	Cotton
Arkansas	$82, 116. 78	Greene	$209, 266. 79	Phillips	$333, 590. 80
Ashley	182, 218. 76	Hempstead	176, 226. 42	Pike	62, 687. 13
Baxter	23, 398. 13	Hot Spring	52, 767. 46	Poinsett	304, 369. 00
Boone	6, 612. 25	Howard	71, 812. 40	Polk	23, 292. 17
Bradley	71, 604. 61	Independence	159, 096. 27	Pope	122, 952. 25
Calhoun	56, 218. 00	Izard	63, 859. 00	Prairie	74, 238. 23
Chicot	208, 626. 50	Jackson	280, 773. 05	Pulaski	255, 102. 14
Clark	111, 375. 96	Jefferson	413, 971. 31	Randolph	148, 517. 25
Clay	280, 776. 04	Johnson	39, 494. 25	St. Francis	364, 117. 21
Cleburne	69, 809. 10	Lafayette	138, 137. 10	Saline	15, 598. 22
Cleveland	101, 790. 75	Lawrence	175, 429. 30	Scott	37, 861. 38
Columbia	219, 754. 50	Lee	263, 071. 05	Searcy	13, 450. 46
Conway	134, 554. 31	Lincoln	240, 876. 50	Sebastian	38, 506. 05
Craighead	506, 559. 50	Little River	137, 045. 21	Sevier	35, 033. 48
Crawford	35, 842. 50	Logan	93, 249. 57	Sharp	61, 647. 29
Crittenden	576, 552. 36	Lonoke	365, 828. 16	Stone	21, 298. 20
Cross	198, 184. 38	Marion	18, 160. 67	Union	87, 893. 60
Dallas	48, 013. 12	Miller	208, 031. 76	Van Buren	76, 084. 48
Desha	216, 606. 25	Mississippi	863, 889. 00	White	242, 527. 14
Drew	134, 403. 81	Monroe	112, 843. 75	Woodruff	206, 463. 25
Faulkner	223, 990. 42	Montgomery	32, 628. 46	Yell	159, 578. 42
Franklin	33, 609. 78	Nevada	123, 621. 70		
Fulton	52, 958. 22	Newton	5, 198. 25	Total	10, 667, 598. 82
Garland	16, 730. 57	Ouachita	69, 792. 61		
Grant	40, 024. 94	Perry	35, 389. 09		

CALIFORNIA

County	Total	Cotton	Wheat	County	Total	Cotton	Wheat
Butte	$27, 081. 60		$27, 081. 60	Plumas	$658. 00		$658. 00
Fresno	43, 178. 00	$43, 178. 00		Riverside	11, 696. 00	$11, 696. 00	
Imperial	6, 120. 67	6, 120. 67		Shasta	8, 755. 40		8, 755. 40
Kern	15, 248. 00	15, 248. 00		Stanislaus	1, 040. 00	1, 040. 00	
Kings	28, 453. 00	28, 453. 00		Tehama	5, 237. 40		5, 237. 40
Lassen	7, 294. 00		7, 294. 00	Tulare	27, 825. 00	27, 825. 00	
Madera	21, 091. 00	21, 091. 00		Yola	26, 834. 80		26, 834. 80
Merced	6, 130. 00	6, 130. 00		Yuba	2, 383. 20		2, 383. 20
Modoc	403. 60		403. 60				
Placer	3, 923. 80		3, 923. 80	Total	243, 353. 47	160, 781. 67	82, 571. 80

COLORADO

County	Wheat	County	Wheat	County	Wheat
Adams	$55, 252. 20	Douglas	$5, 854. 40	Pueblo	$7, 390. 00
Alamosa	1, 909. 20	Jefferson	14, 018. 40	Rio Blanco	3, 886. 80
Bent	3, 957. 80	Las Animas	5, 087. 40	Routt	11, 052. 80
Cheyenne	6, 638. 00	Lincoln	20, 180. 80	Saguache	1, 310. 00
Conejos	8, 437. 60	Mesa	5, 805. 20	Sedwick	65, 214. 00
Crowley	82. 40	Moffat	11, 756. 00		
Delta	4, 010. 80	Morgan	32, 860. 60	Total	267, 418. 40
Dolores	1, 609. 80	Otero	1, 104. 20		

CONNECTICUT

County	Tobacco	County	Tobacco
Fairfield	$851. 20	New Haven	$66. 40
Hartford	145, 059. 04	Tolland	17, 382. 35
Litchfield	2, 053. 50		
Middlesex	4, 345. 50	Total	169, 757. 99

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

DELAWARE

County	Wheat
Kent	$27, 856. 20
New Castle	38, 575. 20
Total	66, 431. 40

FLORIDA

County	Total	Cotton	Tobacco	County	Total	Cotton	Tobacco
Alachua	$3, 244. 50	$3, 244. 50		Madison	$25, 126. 31	$13, 500. 11	$11, 626. 20
Calhoun	2, 074. 00	2, 074. 00		Marion	260. 00	260. 00	
Columbia	6, 419. 50	6, 419. 50		Oklaloosa	29, 299. 00	29, 299. 00	
Escambia	13, 844. 22	13, 844. 22		Santa Rosa	52, 197. 50	52, 197. 50	
Gadsden	53, 637. 75	2, 389. 50	$51, 248. 25	Suwannee	16, 991. 60	16, 991. 60	
Gilchrist	531. 00	531. 00		Taylor	782. 75	782. 75	
Hamilton	7, 366. 00	7, 366. 00		Union	175. 00	175. 00	
Holmes	19, 587. 03	19, 587. 03		Wakulla	593. 25	593. 25	
Jackson	40, 455. 75	40, 455. 75		Walton	15, 118. 68	15, 118. 68	
Jefferson	8, 619. 50	8, 619. 50		Washington	3, 422. 45	3, 422. 45	
Lafayette	5, 320. 00	5, 320. 00					
Leon	15, 060. 85	14, 829. 25	231. 60	Total	323, 156. 14	260, 050. 09	63, 106. 05
Levy	3, 029. 50	3, 029. 50					

GEORGIA

Appling	$23, 606. 71	$23, 606. 71		Fayette	$68, 778. 00	$68, 778. 00	
Atkinson	7, 092. 00	7, 092. 00		Floyd	100, 666. 17	100, 666. 17	
Bacon	12, 070. 70	12, 070. 70		Forsyth	56, 243. 61	56, 243. 61	
Baker	27, 959. 03	27, 959. 03		Franklin	93, 766. 92	93, 766. 92	
Baldwin	23, 911. 25	23, 911. 25		Fulton	53, 563. 35	53, 563. 35	
Banks	38, 922. 50	38, 922. 50		Gilmer	1, 448. 00	1, 448. 00	
Barrow	48, 806. 13	48, 806. 13		Glascock	34, 822. 92	34, 822. 92	
Bartow	113, 406. 25	113, 406. 25		Gordon	75, 034. 87	75, 034. 87	
Ben Hill	41, 424. 50	41, 424. 50		Grady	25, 946. 03	23, 516. 03	$2, 430. 00
Berrien	24, 379. 75	24, 379. 75		Greene	41, 632. 50	41, 632. 50	
Bibb	13, 554. 00	13, 554. 00		Guinnett	93, 315. 75	93, 315. 75	
Bleckley	62, 251. 50	62, 251. 50		Habersham	8, 961. 00	8, 961. 00	
Brantley	160. 00	160. 00		Hall	59, 618. 50	59, 618. 50	
Brooks	32, 419. 44	32, 419. 44		Hancock	68, 111. 50	68, 111. 50	
Bryan	794. 00	794. 00		Haralson	46, 382. 05	46, 382. 05	
Bulloch	115, 488. 25	115, 488. 25		Harris	49, 003. 54	49, 003. 54	
Burke	257, 352. 75	257, 352. 75		Hart	108, 857. 75	108, 857. 75	
Butts	36, 664. 00	36, 664. 00		Heard	65, 519. 75	65, 519. 75	
Calhoun	28, 145. 30	28, 145. 30		Henry	97, 723. 50	97, 723. 50	
Candler	45, 179. 75	45, 179. 75		Houston	35, 152. 75	35, 152. 75	
Carroll	150, 855. 34	150, 855. 34		Irwin	101, 657. 75	101, 657. 75	
Catoosa	12, 551. 67	12, 551. 67		Jackson	113, 856. 45	113, 856. 45	
Charlton	33. 00	33. 00		Jasper	24, 664. 71	24, 664. 71	
Chatham	276. 00	276. 00		Jeff Davis	12, 547. 50	12, 547. 50	
Chattahoochee	11, 101. 00	11, 101. 00		Jefferson	162, 424. 72	162, 424. 72	
Chattooga	42, 130. 75	42, 130. 75		Jenkins	96, 184. 12	96, 184. 12	
Cherokee	43, 286. 75	43, 286. 75		Johnson	108, 425. 50	108, 425. 50	
Clarke	31, 157. 20	31, 157. 20		Jones	18, 705. 00	18, 705. 00	
Clay	23, 696. 00	23, 696. 00		Lamar	31, 896. 00	31, 896. 00	
Clayton	36, 996. 75	36, 996. 75		Lanier	3, 068. 44	3, 068. 44	
Cobb	81, 186. 72	81, 186. 72		Laurens	204, 032. 55	204, 032. 55	
Coffee	58, 071. 72	58, 071. 72		Lee	7, 848. 00	7, 848. 00	
Colquitt	114, 951. 00	114, 951. 00		Liberty	1, 462. 50	1, 462. 50	
Columbia	54, 007. 17	54, 007. 17		Lincoln	38, 767. 00	38, 767. 00	
Cook	22, 425. 30	22, 425. 30		Long	5, 193. 50	5, 193. 50	
Coweta	99, 020. 75	99, 020. 75		Lowndes	26, 034. 23	26, 034. 23	
Crawford	19, 847. 00	19, 847. 00		Lumpkin	2, 849. 25	2, 849. 25	
Crisp	55, 628. 75	55, 628. 75		McDuffie	54, 876. 35	54, 876. 35	
Dade	2, 769. 75	2, 769. 75		Macon	84, 587. 25	84, 587. 25	
Dawson	4, 691. 00	4, 691. 00		Madison	110, 409. 08	110, 409. 08	
Decatur	53, 304. 10	34, 343. 50	$18, 960. 60	Marion	22, 614. 00	22, 614. 00	
DeKalb	30, 412. 54	30, 412. 54		Meriwether	110, 343. 42	110, 343. 42	
Dodge	135, 004. 28	135, 004. 28		Miller	40, 753. 50	40, 753. 50	
Dooley	131, 372. 50	131, 372. 50		Mitchell	119,932.38	119,932.38	
Dougherty	6, 130. 10	6, 130. 10		Monroe	28, 122. 50	28, 122. 50	
Douglas	34, 285. 63	34, 285. 63		Montgomery	56, 470. 64	56, 470. 64	
Early	78, 076. 01	78, 076. 01		Morgan	85, 405. 66	85, 405. 66	
Effingham	4, 218. 50	4, 218. 50		Murray	34, 561. 00	34, 561. 00	
Elbert	66, 204. 43	66, 204. 43		Muscogee	11, 233. 00	11, 233. 00	
Emanuel	149, 237. 75	149, 237. 75		Newton	66, 443. 64	66, 443. 64	
Evans	20, 293. 50	20, 293. 50		Oconee	47, 808. 00	47, 808. 00	

Exhibit 10.—Rental and Benefit Payments—Continued

Through Dec. 31, 1933, by States and counties—Continued

GEORGIA—Continued

County	Total	Cotton	Tobacco	County	Total	Cotton	Tobacco
Oglethorpe	$67,869.25	$67,869.25		Terrell	$44,462.25	$44,462.25	
Paulding	44,963.67	44,963.67		Thomas	24,100.00	24,100.00	
Peach	26,934.50	26,934.50		Tift	48,977.00	48,977.00	
Pickens	17,195.50	17,195.50		Toombs	54,676.95	54,676.95	
Pierce	6,627.88	6,627.88		Treutlen	57,389.75	57,389.75	
Pike	53,509.50	53,509.50		Troup	61,973.00	61,973.00	
Polk	73,093.45	73,093.45		Turner	39,238.75	39,238.75	
Pulaski	58,511.50	58,511.50		Twiggs	30,828.14	30,828.14	
Putnam	13,070.75	13,070.75		Upson	17,912.00	17,912.00	
Quitnam	10,518.50	10,518.50		Walker	35,413.00	35,413.00	
Randolph	55,450.00	55,450.00		Walton	143,325.10	143,325.10	
Richmond	42,103.40	42,103.40		Ware	947.36	947.36	
Rockdale	32,450.75	32,450.75		Warren	90,604.00	90,604.00	
Schley	23,999.50	23,999.50		Washington	167,541.00	167,541.00	
Screven	140,067.75	140,067.75		Wayne	18,602.25	18,602.25	
Seminole	38,866.00	38,866.00		Webster	12,269.00	12,269.00	
Spalding	50,393.00	50,393.00		Wheeler	64,386.50	64,386.50	
Stephens	20,706.07	20,706.07		White	5,642.19	5,642.19	
Stewart	30,936.50	30,936.50		Whitfield	39,132.41	39,132.41	
Sumter	102,825.00	102,825.00		Wilcox	112,553.81	112,553.81	
Talbot	23,090.41	23,090.41		Wilkes	87,887.50	87,887.50	
Taliaferro	26,764.86	26,764.86		Wilkinson	38,257.50	38,257.50	
Tattnall	39,334.43	39,334.43		Worth	63,579.62	63,579.62	
Taylor	59,312.75	59,312.75					
Telfair	63,390.00	63,390.00		Totals	7,926,220.87	7,904,830.27	$21,390.60

HAWAII.—See note 1, exhibit 5

IDAHO

County	Wheat	County	Wheat
Butte	$4,262.00	Lemhi	$1,858.20
Clark	684.40	Lincoln	5,045.20
Custer	531.00	Total	12,380.80

ILLINOIS

County	Total	Wheat	Tobacco	County	Total	Wheat	Tobacco
Adams	$27,247.60	$27,247.60		Livingston	$1,926.40	$1,926.40	
Alexander	1,490.40	1,490.40		McDonough	12,804.20	12,804.20	
Bond	6,552.80	6,552.80		McHenry	1,750.80	1,750.80	
Boone	1,211.95	1,028.40	$183.55	McLean	7,832.80	7,832.80	
Brown	3,234.80	3,234.80		Macon	15,599.20	15,599.20	
Bureau	8,320.60	8,320.60		Madison	62,398.66	62,398.66	
Champaign	16,025.80	16,025.80		Marshall	3,539.04	3,539.04	
Christian	18,756.38	18,756.38		Massac	638.00	638.00	
Clark	3,443.00	3,443.00		Mercer	1,143.20	1,143.20	
Clinton	32,301.64	32,301.64		Montgomery	12,532.40	12,532.40	
Cook	2,181.60	2,181.60		Ogle	2,000.20	2,000.20	
DeKalb	4,414.40	4,414.40		Peoria	7,886.40	7,886.40	
DeWitt	3,435.60	3,435.60		Perry	4,158.40	4,158.40	
DuPage	3,315.14	3,315.14		Piatt	21,632.60	21,632.60	
Edgar	21,682.20	21,682.20		Pope	226.00	226.00	
Edwards	5,678.19	5,678.19		Pulaski	1,095.80	1,095.80	
Ford	1,244.80	1,244.80		Putman	2,517.20	2,517.20	
Franklin	1,347.40	1,347.40		Rock Island	1,800.00	1,800.00	
Fulton	29,090.60	29,090.60		Saline	5,483.80	5,483.80	
Greene	19,430.60	19,430.60		Schuyler	21,124.20	21,124.20	
Grundy	1,181.60	1,181.60		Stark	440.40	440.40	
Hamilton	1,690.00	1,690.00		Stephenson	707.80	707.80	
Hancock	6,022.00	6,022.00		Tazewell	57,791.20	57,791.20	
Henderson	3,812.80	3,812.80		Union	6,579.40	6,579.40	
Henry	6,230.60	6,230.60		Vermilion	14,454.80	14,454.80	
Iroquois	5,347.40	5,347.40		Wabash	12,137.64	12,137.64	
Jackson	22,476.40	22,476.40		Warren	986.60	986.60	
Jasper	1,506.00	1,506.00		Wayne	1,141.60	1,141.60	
Jefferson	1,428.40	1,428.40		White	18,531.20	18,531.20	
Jo Daviess	318.00	318.00		Whiteside	19,305.60	19,305.60	
Kane	4,006.20	4,006.20		Will	17,566.00	17,566.00	
Kankakee	12,122.00	12,122.00		Williamson	1,746.20	1,746.20	
Kendall	2,444.00	2,444.00		Winnebago	280.40	280.40	
Knox	6,947.00	6,947.00		Woodford	4,540.00	4,540.00	
Lake	847.40	847.40					
La Salle	9,184.40	9,184.40		Total	649,567.84	649,384.29	$183.55
Lee	9,300.00	9,300.00					

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

INDIANA

County	Total	Wheat	Tobacco
Adams	$7, 332. 60	$7, 332. 60	
Allen	8, 802. 60	8, 802. 60	
Bartholomew	27, 277. 60	27, 277. 60	
Benton	3, 033. 20	3, 033. 20	
Boone	7, 449. 40	7, 449. 40	
Carroll	13, 612. 80	13, 612. 80	
Cass	11, 426. 00	11, 426. 00	
Clay	5, 545. 40	5, 545. 40	
Clinton	30, 439. 40	30, 439. 40	
Daviess	11, 776. 20	11, 776. 20	
Dearborn	2, 850. 40	2, 850. 40	
Decatur	28, 959. 40	28, 959. 40	
DeKalb	15, 968. 84	15, 968. 84	
Delaware	6, 890. 00	6, 890. 00	
Dubois	33, 327. 60	33, 327. 60	
Elkhart	15, 537. 20	15, 537. 20	
Fayette	19, 016. 40	19, 016. 40	
Fountain	14, 640. 40	14, 640. 40	
Franklin	19, 526. 20	19, 526. 20	
Fulton	6, 804. 00	6, 804. 00	
Gibson	22, 866. 40	22, 866. 40	
Grant	9, 755. 20	9, 755. 20	
Greene	6, 955. 60	6, 955. 60	
Hamilton	13, 539. 80	13, 539. 80	
Hancock	9, 777. 60	9, 777. 60	
Harrison	6, 669. 20	6, 669. 20	
Hendricks	6, 740. 80	6, 740. 80	
Henry	15, 344. 20	15, 344. 20	
Jasper	5, 884. 00	5, 884. 00	
Jay	4, 616. 80	4, 616. 80	
Jefferson	5, 829. 70	5, 829. 70	
Jennings	3, 629. 80	3, 629. 80	
Johnson	18, 166. 40	18, 166. 40	
Kosciusko	10, 697. 72	10, 697. 72	
Lagrange	17, 811. 90	17, 811. 90	
Lake	7, 292. 40	7, 292. 40	
La Porte	25, 543. 30	25, 543. 30	
Lawrence	3, 732. 40	3, 732. 40	
Madison	16, 030. 40	16, 030. 40	
Marshall	$13, 283. 06	$13, 283. 06	
Martin	2, 768. 60	2, 768. 60	
Miama	16, 994. 50	16, 994. 50	
Montgomery	17, 537. 60	17, 537. 60	
Morgan	6, 579. 40	6, 579. 40	
Newton	4, 229. 80	4, 229. 80	
Noble	10, 744. 40	10, 744. 40	
Ohio	1, 190. 20	1, 190. 20	
Orange	3, 752. 40	3, 752. 40	
Owen	860. 00	860. 00	
Parke	9, 748. 80	9, 748. 80	
Perry	3, 753. 80	3, 753. 80	
Pike	3, 472. 20	3, 472. 20	
Posey	26, 461. 00	26, 461. 00	
Putman	6, 894. 80	6, 894. 80	
Randolph	10, 924. 20	9, 599. 50	$1, 324. 70
Ripley	8, 695. 40	8, 695. 40	
Rush	44, 614. 20	44, 614. 20	
Saint Joseph	18, 405. 00	18, 405. 00	
Scott	2, 427. 40	2, 427. 40	
Shelby	30, 765. 70	30, 765. 70	
Spencer	13, 758. 80	13, 758. 80	
Steuben	9, 271. 20	9, 271. 20	
Sullivan	14, 254. 20	14, 254. 20	
Switzerland	2, 113. 40	2, 113. 40	
Tippicanoe	27, 132. 00	27, 132. 00	
Tipton	11, 853. 60	11, 853. 60	
Union	25, 421. 60	25, 421. 60	
Vanderburg	15, 212. 80	15, 212. 80	
Vermillion	4, 671. 40	4, 671. 40	
Vigo	12, 083. 60	12, 083. 60	
Warren	8, 622. 40	8, 622. 40	
Warrick	11, 251. 80	11, 251. 80	
Washington	3, 663. 80	3, 663. 80	
Wayne	34, 832. 50	34, 807. 00	25. 50
White	8, 592. 60	8, 592. 60	
Whitley	8, 795. 80	8, 795. 80	
Totals	956, 733. 22	955, 383. 02	1, 350. 20

IOWA

County	Wheat
Adair	$943. 20
Adams	428. 60
Allamakee	561. 20
Benton	456. 20
Buchanan	215. 60
Cass	3, 177. 20
Clayton	431. 80
Clinton	1, 593. 20
Crawford	2, 365. 00
Dallas	6, 764. 80
Davis	414. 00
Dickinson	38. 20
Dubuque	271. 00
Emmet	577. 00
Harrison	14, 984. 80
Iowa	$881. 40
Jasper	4, 477. 40
Jefferson	692. 00
Jones	184. 40
Keokuk	812. 20
Linn	138. 00
Louisa	4, 898. 60
Madison	5, 717. 20
Marion	2, 471. 60
Marshall	845. 60
Mills	8, 707. 40
Monona	52, 147. 60
Monroe	713. 00
Montgomery	4, 885. 20
Muscatine	2, 434. 20
O'Brien	$121. 40
Palo Alto	116. 40
Plymouth	1, 942. 20
Polk	13, 291. 40
Poweshick	252. 00
Scott	7, 203. 60
Story	768. 60
Tama	454. 80
Union	491. 00
Van Buren	760. 80
Wapello	4, 834. 80
Warren	9, 373. 80
Woodbury	18, 258. 00
Total	181, 096. 40

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

KANSAS

County	Total	Cotton	Wheat	County	Total	Cotton	Wheat
Allen	$5, 841. 40		$5, 841. 40	Lane	$198, 112. 00		$198, 112. 00
Anderson	3, 615. 20		3, 615. 20	Linn	4, 816. 60		4, 816. 60
Atchison	25, 138. 80		25, 138. 80	Lyon	11, 891. 00		11, 891. 00
Barton	452, 698. 40		452, 698. 40	McPherson	274, 802. 90		274, 802. 90
Bourbon	1, 490. 20		1, 490. 20	Marshall	51, 151. 00		51, 151. 00
Brown	35, 627. 80		35, 627. 80	Meade	279, 491. 80		279, 491. 80
Chase	11, 526. 20		11, 526. 20	Miami	4, 301. 60		4, 301. 60
Cherokee	42, 907. 20		42, 907. 20	Mitchell	237, 880. 40		237, 880. 40
Coffey	10, 467. 20		10, 467. 20	Montgomery	25, 763. 53	$3, 052	22, 711. 53
Comanche	181, 177. 60		181, 177. 60	Morris	24, 879. 00		24, 879. 00
Cowley	40, 099. 20		40, 099. 20	Neosho	17, 668. 60		17, 668. 60
Crawford	23, 293. 00		23, 293. 00	Ness	335, 792. 00		335, 792. 00
Doniphan	12, 592. 00		12, 592. 00	Osage	3, 961. 60		3, 961. 60
Douglas	16, 115. 40		16, 115. 40	Pawnee	401, 914. 80		401, 914. 80
Edwards	291, 342. 77		291, 342. 77	Reno	486, 255. 90		486, 255. 90
Elk	2, 851. 20		2, 851. 20	Republic	39, 789. 80		39, 789. 80
Ellis	355, 927. 00		355, 927. 00	Riley	24, 283. 20		24, 283. 20
Finney	262, 729. 00		262, 729. 00	Saline	217, 328. 80		217, 328. 80
Ford	523, 494. 91		523, 494. 91	Scott	113, 562. 80		113, 562. 80
Franklin	6, 054. 60		6, 054. 60	Seward	173, 315. 00		173, 315. 00
Dickinson	38, 380. 20		38, 380. 20	Stafford	289, 704. 40		289, 704. 40
Grant	223, 261. 80		223, 261. 80	Stanton	156, 854. 20		156, 854. 20
Gray	362, 539. 60		362, 539. 60	Stevens	174, 236. 80		174, 236. 80
Hamilton	90, 073. 60		90, 073. 60	Wabaunsee	17, 952. 60		17, 952. 60
Haskell	285, 776. 20		285, 776. 20	Wilson	13, 352. 00		13, 352. 00
Hodgeman	267, 513. 40		267, 513. 40	Woodson	6, 015. 40		6, 015. 40
Jackson	13, 148. 40		13, 148. 40	Wyandotte	1, 446. 20		1, 446. 20
Johnson	9, 992. 20		9, 992. 20				
Kiowa	235, 340. 60		235, 340. 60	Total	7,440,111.01	3, 052	7,437,059.01
Labette	22, 572. 00		22, 572. 00				

KENTUCKY

County	Total	Cotton	Wheat	County	Total	Cotton	Wheat
Allen	$75. 40		$75. 40	Larue	$692. 00		$692. 00
Anderson	397. 60		397. 60	Lewis	14. 80		14. 80
Ballard	1, 397. 20		1, 397. 20	Lincoln	1, 954. 80		1, 954. 80
Bath	549. 40		549. 40	Livingston	173. 40		173. 40
Boone	290. 00		290. 00	Logan	7, 954. 20		7, 954. 20
Bourbon	3, 946. 20		3, 946. 20	McCracken	142. 80		142. 80
Boyle	3, 425. 80		3, 425. 80	McLean	1, 252. 40		1, 252. 40
Bracken	968. 00		968. 00	Madison	515. 80		515. 80
Bullitt	1, 126. 20		1, 126. 20	Marshall	705. 00		705. 00
Caldwell	433. 80		433. 80	Meade	2, 041. 80		2, 041. 80
Calloway	328. 80	$14	314. 80	Mercer	5, 905. 20		5, 905. 20
Campbell	171. 60		171. 60	Metcalfe	250. 20		250. 20
Carlisle	316. 80		316. 80	Monroe	529. 60		529. 60
Carroll	660. 20		660. 20	Montgomery	582. 20		582. 20
Casey	53. 00		53. 00	Muhlenberg	665. 80		665. 80
Clinton	133. 20		133. 20	Nelson	4, 559. 00		4, 559. 00
Crittenden	78. 60		78. 60	Ohio	424. 40		424. 40
Daviess	8, 897. 20		8, 897. 20	Oldham	2, 428. 00		2, 428. 00
Fayette	2, 645. 80		2, 645. 80	Owen	326. 40		326. 40
Fleming	1, 416. 80		1, 416. 80	Pendleton	631. 80		631. 80
Franklin	1, 134. 60		1, 134. 60	Pulaski	805. 80		805. 80
Fulton	45, 330. 40	41, 851	3, 479. 40	Robertson	78. 40		78. 40
Gallatin	134. 00		134. 00	Scott	3, 699. 40		3, 699. 40
Garrard	933. 00		933. 00	Shelby	5, 632. 00		5, 632. 00
Grant	486. 60		486. 60	Simpson	3, 558. 40		3, 558. 40
Graves	747. 80		747. 80	Todd	1, 825. 40		1, 825. 40
Hancock	1, 175. 40		1, 175. 40	Trigg	1, 598. 80		1, 598. 80
Hardin	1, 481. 80		1, 481. 80	Union	9, 473. 80		9, 473. 80
Henderson	1, 540. 20		1, 540. 20	Washington	1, 938. 60		1, 938. 60
Hickman	1, 502. 60		1, 502. 60	Wayne	578. 40		578. 40
Hopkins	765. 60		765. 60	Webster	617. 20		617. 20
Jefferson	4, 297. 40		4, 297. 40				
Jessamine	4, 909. 40		4, 909. 40	Total	153. 425. 80	$41, 865	111, 560. 80
Kenton	119. 60		119. 60				

Exhibit 10.—Rental and Benefit Payments—Continued

Through Dec. 31, 1933, by States and counties—Continued

LOUISIANA

County	Cotton	County	Cotton	County	Cotton
Acadia	$90,907.48	Franklin	$271,370.25	St. Helena	$19,300.54
Allen	18,513.86	Grant	53,994.62	St. Landry	244,264.38
Ascension	574.50	Iberia	7,126.64	St. Martin	38,428.43
Avoyelles	151,622.17	Iberville	176.00	St. Mary	1,132.44
Beauregard	16,685.92	Jackson	60,843.00	St. Tammany	6,854.00
Bienville	164,169.96	Jefferson Davis	31,988.53	Tangipahoa	25,731.00
Bossier	180,549.22	Lafayette	101,929.33	Tensas	113,839.72
Caddo	297,440.00	La Salle	8,972.05	Union	129,310.00
Calcasieu	24,532.00	Lincoln	168,447.89	Vermilion	44,701.75
Caldwell	70,677.68	Livingston	1,696.50	Vernon	52,667.69
Cameron	23,804.00	Madison	117,887.00	Washington	66,895.50
Catahoula	109,973.50	Morehouse	176,044.41	Webster	142,419.00
Claiborne	202,924.04	Natchitoches	213,948.30	West Baton Rouge	4,085.00
Concordia	89,977.35	Quachita	102,024.50	West Carroll	128,137.87
De Soto	163,767.00	Pointe Coupee	56,540.40	West Feliciana	16,361.67
East Baton Rouge	14,600.17	Rapides	140,497.50	Winn	48,400.00
East Carroll	132,141.75	Red River	137,654.00		
East Feliciana	41,686.50	Richland	237,422.75	Total	4,969,842.94
Evangeline	129,729.88	Sabine	74,473.30		

MAINE.—See note 1, exhibit 5

MARYLAND

County	Wheat	County	Wheat	County	Wheat
Allegany	$1,856.80	Frederick	$95,325.80	Somerset	$5,464.60
Anne Arundel	283.20	Garrett	673.40	Talbot	46,401.00
Baltimore	17,109.00	Harford	9,267.60	Washington	28,725.20
Calvert	708.60	Howard	16,538.40	Wicomico	1,882.40
Caroline	24,199.10	Kent	50,308.70	Worcester	6,601.40
Carrol	43,953.40	Montgomery	36,761.80		
Cecil	20,712.60	Prince Georges	3,791.20	Total	498,725.30
Charles	3,408.60	Queen Annes	52,780.00		
Dorchester	27,493.30	St. Marys	4,479.20		

MASSACHUSETTS

County	Tobacco
Franklin	$39,396.10
Hampden	14,252.20
Hampshire	24,664.80
Total	78,313.10

MICHIGAN

County	Wheat	County	Wheat	County	Wheat
Alpena	$165.60	Ingham	$11,108.00	Oakland	$2,584.60
Arena	124.40	Ionia	29,765.00	Oceana	1,369.80
Benzie	39.00	Iosco	117.20	Ogemaw	416.20
Berrien	10,809.00	Isabella	7,337.20	Otsego	101.40
Branch	6,183.80	Jackson	5,760.20	Ottawa	16,858.20
Calhoun	14,119.80	Kalamazoo	13,058.60	Presque Isle	731.00
Charlevoix	192.60	Lapur	6,389.60	Saginaw	16,683.60
Clinton	31,406.00	Lenawee	17,734.80	St. Joseph	6,800.20
Eaton	46,191.40	Livingston	5,921.80	Sanilac	19,213.40
Genesee	19,446.80	Mason	1,480.20	Shiawassee	25,057.00
Grand Traverse	114.40	Missaukie	236.80		
Hillsdale	7,946.00	Montcalm	9,408.40	Total	365,750.80
Huron	30,533.20	Montmorency	345.60		

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

MINNESOTA

County	Total	Wheat	Tobacco
Aitkin	$31.90		$31.90
Benton	651.90		651.90
Big Stone	34,248.00	$34,248.00	
Blue Earth	21,105.80	21,105.80	
Brown	10,256.40	10,256.40	
Carver	3,814.80	3,814.80	
Chippewa	27,787.60	27,787.60	
Clearwater	1,606.00	1,606.00	
Cottonwood	1,657.80	1,657.80	
Dakota	17,504.80	17,504.80	
Dodge	1,251.00	1,251.00	
Douglas	16,088.40	16,088.40	
Fairbault	4,065.40	4,065.40	
Fillmore	3,537.60	2,563.60	974.00
Freeborn	9,012.60	9,012.60	
Hennepin	3,279.20	3,279.20	
Houstin	1,857.50	285.20	1,572.30
Jackson	157.80	157.80	
Kandiyohi	15,879.80	15,833.80	46.00
Lac Qui Parle	43,924.00	43,924.00	
Lincoln	4,252.40	4,252.40	
Lyon	12,650.60	12,650.60	
Martin	393.00	393.00	
Meeker	15,631.00	14,005.60	1,625.40
Morrison	6,811.40	6,811.40	
Mille Lacs	299.00		299.00
Mower	2,551.80	2,551.80	
Nicollet	18,617.40	18,617.40	
Olmsted	2,357.60	2,357.60	
Otter Tail	31,462.80	31,462.80	
Pope	40.00		40.00
Ramsey	350.00	350.00	
Red Lake	8,151.60	8,151.60	
Penville	25,529.40	25,529.40	
Rice	11,617.80	11,617.80	
Scott	18,730.80	18,730.80	
Sherburne	352.00		352.00
Sibley	10,560.00	10,560.00	
Stearns	37,175.41	31,019.40	6,156.01
Swift	18,234.80	18,234.80	
Todd	2,098.60	2,098.60	
Traverse	53,294.80	53,294.80	
Wabasha	5,047.20	5,047.20	
Wadena	420.60	420.60	
Washington	5,749.40	5,749.40	
Watonwan	1,804.80	1,804.80	
Winona	4,769.00	4,733.00	36.00
Wright	13,010.80	12,958.80	52.00
Total	529,682.31	517,845.80	11,836.51

MISSISSIPPI

County	Cotton	County	Cotton	County	Cotton
Adams	$35,993.72	George	$13,289.57	Leake	$82,040.94
Alcorn	81,942.10	Greene	16,066.00	Lee	140,144.72
Amite	116,745.60	Grenada	44,488.46	Leflore	358,806.49
Attala	106,850.61	Hancock	77.00	Lincoln	110,742.60
Benton	43,778.13	Hind	168,045.60	Lowndes	84,858.64
Bolivar	819,460.25	Holmes	231,400.97	Madison	222,560.17
Calhoun	74,972.33	Humphreys	220,685.00	Marion	103,100.99
Carroll	76,197.85	Issaquena	66,582.00	Marshall	137,202.26
Chickasaw	66,920.49	Itawamba	83,066.41	Monroe	150,689.06
Choctaw	35,871.50	Jackson	235.00	Montgomery	49,459.53
Claibourne	43,238.99	Jasper	84,671.16	Neshoba	137,595.02
Clarke	59,806.17	Jefferson	51,418.39	Newton	143,176.08
Clay	55,298.50	Jefferson Davis	113,469.76	Noxubee	87,829.52
Coahoma	468,039.62	Jones	107,150.10	Oktibbeha	36,803.46
Copiah	50,516.50	Kemper	80,635.85	Panola	154,476.49
Covington	106,662.75	Lafayette	77,676.41	Pearl River	4,153.25
De Soto	158,115.85	Lamar	34,057.00	Perry	17,386.00
Forrest	19,294.38	Lauderdale	61,696.10	Pike	75,394.26
Franklin	50,074.20	Lawrence	73,008.17	Pontotoc	106,012.26

Exhibit 10.—Rental and Benefit Payments—Continued

Through Dec. 31, 1933, by States and counties—Continued

MISSISSIPPI—Continued

County	Cotton	County	Cotton	County	Cotton
Prentiss	$90, 232. 57	Tallahatchie	$245, 958. 36	Wayne	$52, 874. 88
Quitman	242, 018. 50	Tate	104, 298. 87	Webster	62, 705. 59
Rankin	56, 411. 90	Tippah	112, 804. 65	Wilkinson	41, 439. 06
Scott	94, 727. 25	Tishomingo	58, 424. 08	Winston	82, 327. 75
Sharkey	175, 778. 46	Tunica	263, 673. 06	Yalobusha	51, 516. 81
Simpson	102, 308. 95	Union	105, 375. 11	Yazoo	276, 014. 12
Smith	95, 280. 72	Walthall	143, 513. 00		
Stone	1, 579. 00	Warren	28, 626. 50	Total	9, 924, 837. 57
Sunflower	760, 297. 75	Washington	476, 719. 50		

MISSOURI

County	Total	Cotton	Wheat
Adair	$242. 00		$242. 00
Atchison	4, 238. 40		4, 238. 40
Audrain	1, 254. 80		1, 254. 80
Barry	9, 476. 20		9, 476. 20
Barton	27, 770. 80		27, 770. 80
Bates	8, 788. 80		8, 788. 80
Benton	2, 372. 80		2, 372. 80
Bollinger	3, 457. 20		3, 457. 20
Boone	5, 875. 04		5, 875. 04
Buchanan	22, 032. 20		22, 032. 20
Butler	52, 535. 87	$51, 746. 67	789. 20
Camden	171. 60		171. 60
Cape Girardeau	7, 069. 20		7, 069. 20
Carroll	40, 683. 40		40, 683. 40
Cass	7, 855. 80		7, 855. 80
Cedar	4, 106. 00		4, 106. 00
Chariton	30, 459. 40		30, 459. 40
Christian	3, 307. 80		3, 307. 80
Clay	4, 902. 40		4, 902. 40
Clinton	832. 40		832. 40
Cole	13, 582. 20		13, 582. 20
Cooper	18, 481. 20		18, 481. 20
Crawford	752. 00		752. 00
Dade	13, 782. 65		13, 782. 65
Dallas	1, 682. 80		1, 682. 80
Daviess	2, 531. 00		2, 531. 00
De Kalb	1, 804. 60		1, 804. 60
Dent	571. 00		571. 00
Douglas	287. 20		287. 20
Dunklin	447, 692. 97	445, 775. 57	1, 917. 40
Franklin	18, 994. 60		18, 994. 60
Gasconade	3, 863. 60		3, 863. 60
Gentry	1, 553. 00		1, 553. 00
Greene	10, 610. 60		10, 610. 60
Grundy	672. 60		672. 60
Harrison	572. 60		572. 60
Henry	3, 262. 40		3, 262. 40
Hickory	1, 954. 80		1, 954. 80
Holt	9, 217. 00		9, 217. 00
Howell	1, 785. 75	1, 785. 75	
Iron	726. 80		726. 80
Jackson	8, 701. 20		8, 701. 20
Jasper	48, 709. 32		48, 709. 32
Jefferson	7, 699. 60		7, 699. 60
Johnson	7, 913. 40		7, 913. 40
Laclede	2, 070. 20		2, 070. 20
Lafayette	36, 521. 10		36, 521. 10
Lawrence	20, 757. 40		20, 757. 40
Lewis	10, 169. 40		10, 169. 40
Lincoln	17, 015. 60		17, 015. 60
Linn	345. 20		345. 20
Livingston	3, 405. 40		3, 405. 40
McDonald	979. 12		979. 12
Madison	1, 374. 60		1, 374. 60
Maries	2, 296. 40		2, 296. 40
Marion	18, 480. 20		18, 480. 20
Mercer	281. 00		281. 00
Mississippi	114, 070. 50	103, 358. 50	10, 712. 00
Moniteau	8, 715. 40		8, 715. 40
Miller	3, 535. 40		3, 535. 40
Monroe	1, 418. 60		1, 418. 60

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

MISSOURI—Continued

County	Total	Cotton	Wheat
Montgomery	$5, 659. 80		$5, 659. 80
Morgan	2, 991. 40		2, 991. 40
New Madrid	407, 314. 50	$407, 314. 50	
Newton	11, 231. 66		11, 231. 66
Nodaway	8, 227. 80		8, 227. 80
Oregon	8, 924. 20	8, 569. 00	355. 20
Osage	10, 544. 40		10, 544. 40
Ozark	3, 784. 32	3, 549. 72	234. 60
Pemiscot	575, 761. 50	575, 761. 50	
Pettis	6, 880. 80		6, 880. 80
Phelps	1, 576. 00		1, 576. 00
Pike	11, 617. 60		11, 617. 60
Platte	28, 220. 05		28, 220. 05
Polk	5, 753. 20		5, 753. 20
Pulaski	212. 40		212. 40
Putnam	246. 20		246. 20
Polk	5, 200. 00		5, 200. 00
Randolph	1, 737. 00		1, 737. 00
Ripley	7, 465. 50	7, 465. 50	
St. Clair	2, 870. 40		2, 870. 40
St. Francois	2, 866. 80		2, 866. 80
St. Louis	14, 404. 40		14, 404. 40
St. Genevieve	6, 148. 00		6, 148. 00
Saline	24, 050. 40		24, 050. 40
Schuyler	232. 40		232. 40
Scotland	179. 60		179. 60
Scott	118, 448. 15	94, 171. 75	24, 276. 40
Shannon	103. 20		103. 20
Shelby	1, 314. 40		1, 314. 40
Stoddard	147, 446. 62	136, 693. 22	10, 753. 40
Stone	360. 60		360. 60
Sullivan	108. 80		108. 80
Taney	1, 022. 00	1, 022. 00	
Texas	1, 608. 00		1, 608. 00
Warren	14, 407. 00		14, 407. 00
Washington	2, 608. 00		2, 608. 00
Wayne	666. 80		666. 80
Webster	691. 00		691. 00
Worth	809. 80		809. 80
Wright	316. 00		316. 00
Total	2, 550, 283. 22	1, 837, 213. 68	713, 069. 54

MONTANA.—See note 2, exhibit 5

NEBRASKA

County	Wheat	County	Wheat	County	Wheat
Antelope	$1, 273. 00	Gage	$76, 219. 40	Platte	$16, 413. 60
Blaine	293. 60	Garfield	168. 80	Rock	154. 20
Boone	3, 276. 80	Hall	38, 131. 40	Saunders	51, 628. 20
Box Butte	106, 101. 66	Greeley	1, 648. 60	Seward	58, 093. 80
Buffalo	41, 853. 19	Jefferson	75, 905. 20	Richardson	25, 176. 40
Brown	732. 20	Johnson	17, 355. 80	Stanton	884. 20
Burt	6, 901. 40	Keyapaha	615. 80	Thayer	75, 019. 40
Cass	20, 849. 40	Knox	1, 408. 40	Thurston	934. 00
Cedar	1, 618. 20	Lancaster	61, 221. 07	Valley	2, 930. 00
Cherry	1, 804. 80	Merrick	34, 354. 00	Washington	15, 859. 00
Colfax	14, 468. 60	Madison	1, 940. 00	Wayne	105. 00
Cuming	253. 20	Nance	16, 884. 20	Webster	32, 437. 37
Dakota	1, 342. 40	Nemaha	29, 555. 20	Wheeler	52. 60
Dodge	31, 302. 60	Otoe	27, 609. 48		
Douglas	4, 258. 80	Pawnee	8, 841. 20	Total	1, 011, 917. 17
Fillmore	103, 266. 40	Pierce	774. 60		

NEVADA

County	Wheat	County	Wheat	County	Wheat
Churchill	$4, 679. 40	Lyon	$3, 297. 40	Washoe	$2, 070. 20
Douglas	1, 969. 20	Nye	67. 40	White Pine	415. 00
Elko	2, 181. 20	Ormsby	110. 80		
Eureka	933. 20	Pershing	265. 00	Total	15, 938. 80

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

NEW HAMPSHIRE

County	Tobacco
Cheshire	$1,754.20

NEW JERSEY

County	Wheat	County	Wheat	County	Wheat
Cumberland	$228.80	Morris	$52.40	Warren	$791.20
Hunterdon	3,576.00	Salem	296.60		
Middlesex	198.40	Somerset	1,004.20	Total	6,147.60

NEW MEXICO

County	Total	Cotton	Wheat
Chaves	$73,663.60	$73,663.60	
Curry	172,083.94	4,776.50	$167,307.44
De Baca	110.00	110.00	
Dona Ana	84,043.30	84,043.30	
Eddy	114,343.50	114,343.50	
Harding	1,472.00	1,472.00	
Lea	5,526.00	5,526.00	
Otero	1,900.00	1,900.00	
Quay	16,164.00	16,164.00	
Roosevelt	57,419.00	57,419.00	
Sierra	1,007.00	1,007.00	
Total	527,732.34	360,424.90	167,307.44

NEW YORK

County	Total	Wheat	Tobacco
Cayuga	$3,091.35		$3,091.35
Cheming	5,425.40		5,425.40
Erie	703.20	$703.20	
Niagara	1,365.80	1,365.80	
Onondaga	8,103.38		8,103.38
Orleans	1,288.20	1,288.20	
Oswego	206.50		206.50
Schuyler	1,146.40	1,146.40	
Steuben	3,822.00		3,822.00
Wyoming	2,513.60	2,513.60	
Yates	3,142.80	3,142.80	
Total	30,808.63	10,160.00	20,648.63

Exhibit 10.—Rental and Benefit Payments—Continued

Through Dec. 31, 1933, by States and counties—Continued

NORTH CAROLINA

County	Total	Cotton	Wheat
Alamance	$4,438.93	$3,670.73	$768.20
Alexander	14,514.65	14,514.65	
Anson	125,178.40	125,178.40	
Beaufort	15,882.75	15,882.75	
Bertie	31,183.92	31,183.92	
Bladon	20,366.84	20,366.84	
Burke	429.00	429.00	
Cabarrus	28,959.81	28,959.81	
Caldwell	1,159.80		1,159.80
Camden	3,561.50	3,561.50	
Catawba	34,484.45	32,279.85	2,204.60
Chatham	15,179.54	14,695.94	483.60
Chowan	10,866.25	10,866.25	
Cleveland	172,844.36	172,844.36	
Columbus	3,897.22	3,897.22	
Craven	13,340.20	13,340.20	
Cumberland	74,324.93	74,324.93	
Currituck	1,111.00	1,111.00	
Davidson	21,402.41	19,332.41	2,070.00
Davie	16,849.77	16,849.77	
Duplin	28,080.52	28,080.52	
Durham	1,686.50	1,686.50	
Edgecombe	100,125.90	100,125.90	
Franklin	40,824.89	40,824.89	
Gaston	77,575.32	77,575.32	
Gates	13,673.57	13,673.57	
Granville	5,715.34	5,715.34	
Greene	28,307.34	28,307.34	
Guilford	4,633.91	2,574.31	2,059.60
Halifax	131,189.67	131,189.67	
Harnett	39,013.46	39,013.46	
Hertford	19,756.89	19,756.89	
Hoke	73,719.00	73,719.00	
Hyde	1,189.00	1,189.00	
Iredell	86,225.91	86,225.91	
Johnson	74,588.24	74,588.24	
Jones	10,731.70	10,731.70	
Lee	11,471.50	11,471.50	
Lenoir	32,332.48	32,332.48	
Lincoln	39,952.47	39,952.47	
Martin	21,777.39	21,777.39	
Mecklenburg	86,885.72	86,885.72	
Montgomery	10,570.15	10,570.15	
Moore	3,209.00	3,209.00	
Nash	84,025.91	84,025.91	
Northampton	96,789.04	96,789.04	
Onslow	7,795.50	7,795.50	
Orange	3,995.85	2,820.25	1,175.60
Pamlico	8,490.98	8,490.98	
Pasquotank	6,540.46	6,540.46	
Pender	6,910.39	6,910.39	
Perquimans	10,674.90	10,674.90	
Person	30.00	30.00	
Pitt	56,369.69	56,369.69	
Polk	14,179.47	14,179.47	
Randolph	4,321.68	2,172.28	2,149.40
Richmond	37,219.62	37,219.62	
Robeson	170,742.24	170,742.24	
Rowan	59,828.75	53,401.55	6,427.20
Rutherford	103,579.19	103,579.19	
Sampson	64,800.05	64,800.05	
Scotland	73,544.15	73,544.15	
Stanly	23,840.34	23,840.34	
Surry	523.60		523.60
Union	144,043.10	144,043.10	
Vance	18,131.52	18,131.52	
Wake	59,686.02	59,686.02	
Warren	62,796.07	62,796.07	
Washington	3,492.12	3,492.12	
Wayne	87,649.62	87,649.62	
Wilson	63,375.37	63,375.37	
Yadkin	3,329.49	1,079.69	2,249.80
Total	2,829,916.72	2,808,645.32	21,271.40

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

NORTH DAKOTA.—See note 2, exhibit 5

OHIO

County	Total	Wheat	Tobacco
Adams	$2,709.80	$2,709.80	
Allen	4,512.80	4,512.80	
Ashland	6,254.20	6,254.20	
Athens	218.60	218.60	
Auglaize	14,946.40	14,946.40	
Belmont	150.40	150.40	
Brown	3,081.20	3,081.20	
Butler	38,860.80	36,119.20	$2,741.60
Carroll	304.20	304.20	
Champaign	20,930.20	20,858.20	72.00
Clark	27,750.00	27,750.00	
Clinton	31,062.00	31,062.00	
Columbiana	1,562.20	1,562.20	
Coshocton	1,591.00	1,591.00	
Crawford	19,275.40	19,275.40	
Darke	85,265.80	16,181.20	69,084.60
Defiance	9,417.80	9,417.80	
Delaware	14,556.60	14,556.60	
Erie	12,324.80	12,324.80	
Fairfield	27,442.50	27,442.50	
Fayette	18,672.60	18,672.60	
Franklin	20,090.60	20,090.60	
Fulton	16,851.60	16,851.60	
Gallia	1,852.60	1,852.60	
Greene	35,284.70	33,894.80	1,389.90
Guernsey	386.80	386.80	
Hancock	18,076.00	18,076.00	
Hardin	9,343.40	9,343.40	
Harrison	15.20	15.20	
Henry	16,187.60	16,187.60	
Highland	23,464.60	23,464.60	
Hocking	1,252.00	1,252.00	
Holmes	5,784.00	5,784.00	
Huron	15,414.80	15,414.80	
Jackson	597.80	597.80	
Jefferson	136.00	136.00	
Knox	14,867.40	14,867.40	
Licking	12,445.00	12,445.00	
Logan	4,774.20	4,774.20	
Lorain	3,831.80	3,831.80	
Lucas	14,161.40	14,161.40	
Madison	16,110.80	16,110.80	
Mahoning	985.00	985.00	
Medina	6.315.40	6,315.40	
Meigs	1,012.20	1,012.20	
Mercer	19,627.40	19,627.40	
Miami	57,503.73	26,752.80	30,750.93
Montgomery	98,109.00	21,041.60	77,067.40
Morgan	68.60	68.60	
Morrow	5,785.00	5,785.00	
Muskingum	1,219.80	1,219.80	
Ottowa	4,947.40	4,947.40	
Paulding	8,239.00	8,239.00	
Perry	6,303.60	6,303.60	
Pickaway	47,963.60	47,963.60	
Pike	1,745.30	1,745.30	
Portage	2,594.20	2,594.20	
Preble	87,763.10	46,436.20	41,326.90
Richland	15,729.20	15,729.20	
Ross	24,787.30	24,787.30	
Sandusky	31,871.40	31,871.40	
Seneca	60,705.20	60,705.20	
Shelby	18,055.95	16,917.20	1,138.75
Stark	3,541.60	3,541.60	
Summit	745.20	745.20	
Tuscarawas	8,196.80	8,196.80	
Union	5,221.40	5,221.40	
Van Wert	2,209.00	2,209.00	
Vinton	206.80	206.80	
Warren	34,846.10	18,203.80	16,642.30
Wayne	35,469.80	35,469.80	
Williams	19,996.70	19,996.70	
Wyandot	11,021.00	11,021.00	
Total	1,194,603.38	954,389.00	240,214.38

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

OKLAHOMA

County	Total	Cotton	Wheat
Adair	$778. 75	$778. 75	
Alfalfa	920. 00	920. 00	
Atoka	97, 564. 16	97, 564. 16	
Beaver	337, 957. 80		$337, 957. 80
Beckham	609, 364. 00	609, 364. 00	
Blaine	238, 274. 14	238, 274. 14	
Bryan	151, 895. 00	151, 895. 00	
Caddo	670, 577. 50	670, 577. 50	
Canadian	239, 805. 35	153, 778. 75	86, 026. 60
Carter	149, 018. 05	149, 018. 05	
Cherokee	21, 739. 95	21, 739. 95	
Choctaw	77, 255. 22	77, 255. 22	
Cimarron	204, 311. 60		204, 311. 60
Cleveland	72, 852. 00	72, 852. 00	
Coal	85, 200. 00	85, 200. 00	
Comanche	156, 942. 44	156, 942. 44	
Cotton	192, 101. 00	192, 101. 00	
Craig	1, 820. 75	1, 820. 75	
Creek	211, 021. 10	211, 021. 10	
Custer	239, 267. 50	239, 267. 50	
Delaware	1, 430. 38	1, 430. 38	
Dewey	161, 110. 00	161, 110. 00	
Ellis	24, 023. 00	24, 023. 00	
Garfield	4, 860. 40	4, 860. 40	
Garvin	230, 329. 87	230, 329. 87	
Grady	480, 345. 85	480, 345. 85	
Greer	373, 730. 90	373, 730. 90	
Harmon	393, 385. 50	393, 385. 50	
Haskell	105, 048. 06	105, 048. 06	
Hughes	158, 769. 20	158, 769. 20	
Jackson	595, 353. 30	595, 353. 30	
Jefferson	193, 112. 00	193, 112. 00	
Johnston	65, 013. 48	65, 013. 48	
Kay	3, 868. 00	3, 868. 00	
Kingfisher	54, 462. 33	54, 462. 33	
Kiowa	447, 103. 10	447, 103. 10	
Latimer	15, 439. 86	15, 439. 86	
Le Flore	126, 781. 48	126, 781. 48	
Lincoln	205, 485. 25	205, 485. 25	
Logan	97, 377. 50	97, 377. 50	
Love	152, 146. 50	152, 146. 50	
McClain	219, 022. 25	219, 022. 25	
McCurtain	230, 704. 00	230, 704. 00	
McIntosh	144, 034. 10	144, 034. 10	
Major	38, 073. 00	38, 073. 00	
Marshall	63, 537. 50	63, 537. 50	
Mayes	57, 504. 50	57, 504. 50	
Murray	61, 553. 50	61, 553. 50	
Muskogee	308, 683. 77	308, 683. 77	
Noble	21, 928. 25	21, 928. 25	
Nowata	2, 857. 75	2, 857. 75	
Okfuskee	159, 297. 38	159, 297. 38	
Oklahoma	69, 954. 28	69, 954. 28	
Okmulgee	207, 109. 50	207, 109. 50	
Osage	95, 928. 50	95, 928. 50	
Pawnee	85, 240. 00	85, 240. 00	
Payne	136, 066. 50	136, 066. 50	
Pittsburg	181, 683. 74	181, 683. 74	
Pontotoc	92, 159. 50	92, 159. 50	
Pottawatomie	143, 294. 83	143, 294. 83	
Pushmataha	30, 786. 21	30, 786. 21	
Roger Mills	269, 721. 00	269, 721. 00	
Rogers	37, 067. 18	37, 067. 18	
Seminole	90, 996. 15	90, 996. 15	
Sequoyah	75, 089. 00	75, 089. 00	
Stephens	222, 615. 50	222, 615. 50	
Texas	521, 567. 80		521, 567. 80
Tillman	591, 492. 00	591, 492. 00	
Tulsa	47, 806. 50	47, 806. 50	
Wagoner	173, 303. 50	173, 303. 50	
Washita	707, 993. 80	707, 993. 80	
Woods	102. 00	102. 00	
Woodward	10, 505. 50	10, 505. 50	
Total	12, 745, 521. 26	11, 595, 657. 46	1, 149, 863. 80

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

OREGON

County	Wheat	County	Wheat
Douglas	$1,090.00	Linn	$17,836.80
Klamath	6,354.80	Polk	20,019.00
Lake	2,751.40		
Lane	12,909.80	Total	60,961.80

PENNSYLVANIA

County	Total	Wheat	Tobacco	County	Total	Wheat	Tobacco
Bedford	$2,330.60	$2,035.20	$295.40	Lehigh	$4,742.20	$4,742.20	
Berks	8,341.45	7,618.80	722.65	Luzerne	2,203.60	2,203.60	
Carbon	271.80	271.80		Lycoming	661.80		$661.80
Chester	14,562.40	5,581.20	8,981.20	North Hampton	4,735.40	4,735.40	
Clinton	3,302.45		3,302.45	Northumberland	3,200.80	3,200.80	
Columbia	5,011.40	5,011.40		Perry	4,759.00	4,759.00	
Cumberland	6,686.60	6,686.60		Schuylkill	2,869.20	2,869.20	
Dauphin	3,866.50	2,772.00	1,094.50	Snyder	1,739.40	1,739.40	
Franklin	27,831.408	27,831.40		Tioga	2,677.20		2,677.20
Fulton	1,980.60	1,980.60		Union	9,868.20	9,868.20	
Huntingdon	369.80	369.80		Washington	610.20	610.20	
Juniata	809.00	660.20	148.80	York	13,651.20		13,651.20
Lancaster	284,505.38		284,505.38				
Lebanon	7,294.05	3,158.60	4,135.45	Total	418,881.63	98,705.60	320,176.03

RHODE ISLAND.—See note 1, exhibit 5

SOUTH CAROLINA

County	Cotton	County	Cotton	County	Cotton
Abbeville	$90,186.01	Dillon	$112,018.17	McCormick	$49,112.50
Aiken	147,064.50	Dorchester	32,439.71	Marion	39,134.68
Allendale	46,951.84	Edgefield	96,169.45	Marlboro	158,765.09
Anderson	326,217.50	Fairfield	58,903.72	Newberry	109,353.01
Bemberg	80,556.34	Florence	87,130.46	Oconee	93,149.45
Barnwell	105,648.62	Georgetown	3,818.00	Orangeburg	239,827.15
Beaufort	2,771.25	Greenville	191,749.13	Pickens	105,593.97
Berkeley	12,667.39	Greenwood	92,629.34	Richland	47,955.09
Calhoun	99,163.68	Hampton	50,010.50	Saluda	89,308.42
Charleston	3,595.02	Harry	5,401.50	Spartanburg	282,616.97
Cherokee	91,260.25	Jasper	9,862.25	Sumter	173,593.21
Chester	124,751.88	Kershaw	129,664.35	Union	96,888.00
Chesterfield	179,734.25	Lancaster	98,181.55	Williamsburg	78,951.25
Clarenden	132,481.23	Laurens	164,826.00	York	160,343.21
Colleton	57,234.02	Lee	157,945.67		
Darlington	116,155.30	Lexington	53,149.31	Total	4,684,930.19

SOUTH DAKOTA

County	Wheat	County	Wheat	County	Wheat
Bon Homme	$12,501.80	Hyde	$14,167.40	Spink	$211,231.20
Brookings	1,234.80	Jackson	13,657.40	Turner	1,044.00
Buffalo	4,135.20	Lake	1,604.80	Union	13,975.20
Clay	8,692.40	Lincoln	117.60	Yankton	4,177.80
Corson	99,726.60	McCook	11,869.80	Zieback	24,947.20
Custer	7,577.20	McPherson	129,824.20		
Duel	2,122.20	Miner	9,437.60	Total	699,725.60
Dewey	44,212.60	Minnehaha	682.00		
Faulk	82,155.80	Moody	630.80		

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

TENNESSEE

County	Total	Cotton	Wheat	County	Total	Cotton	Wheat
Bedford	$17,227.54	$15,408.54	$1,819.00	Lincoln	$94,133.89	$91,114.69	$3,019.20
Benton	21,092.38	21,092.38		Loudon	1,537.20		1,537.20
Bledsoe	264.40		264.40	McMinn	8,064.50	8,064.50	
Blount	1,587.40		1,587.40	McNairy	120,870.37	120,870.37	
Bradley	7,824.15	7,824.15		Madison	179,167.63	179,167.63	
Cannon	90.00		90.00	Marion	2,179.15	2,054.75	124.40
Carroll	125,501.91	125,501.91		Marshall	4,644.62	1,303.42	3,341.20
Cheatham	371.60		371.60	Maury	7,390.35	637.75	6,752.60
Chester	54,797.81	54,797.81		Meigs	2,900.50	2,900.50	
Claiborne	143.00		143.00	Monroe	2,957.45	1,507.25	1,450.20
Cocke	865.00		865.00	Montgomery	5,585.00		5,585.00
Coffee	9,400.98	8,086.58	1,314.40	Moore	1,175.60		1,175.60
Crockett	129,396.40	129,396.40		Obion	112,399.11	108,548.51	3,850.60
Davidson	319.40		319.40	Perry	869.73	869.73	
Decatur	21,185.38	21,185.38		Polk	13,092.77	13,092.77	
DeKalb	7.20		7.20	Putnam	63.60		63.60
Dickson	156.60		156.60	Roane	431.60		431.60
Dyer	274,491.37	274,491.37		Robertson	9,867.80		9,867.80
Fayette	135,547.51	135,547.51		Rutherford	80,723.06	80,668.86	54.20
Franklin	29,781.09	29,781.09		Sequatchie	201.00		201.00
Gibson	198,515.77	198,515.77		Sevier	1,167.80		1,167.80
Giles	63,571.25	63,015.05	556.20	Shelby	220,045.01	220,045.01	
Grundy	458.40	370.00	88.40	Smith	964.00		964.00
Hamblem	890.00		890.00	Stewart	517.60		517.60
Hamilton	5,785.43	5,014.43	771.00	Sumner	1,682.00		1,682.00
Hardeman	98,537.76	98,537.76		Tipton	241,849.75	241,849.75	
Hardin	47,828.97	47,828.97		Unicoi	109.20		109.20
Hawkins	1,781.00		1,781.00	Warren	1,245.00		1,245.00
Haywood	175,823.30	175,823.30		Washington	3,808.40		3,808.40
Henderson	121,223.65	121,223.65		Wayne	32,119.68	31,897.68	222.00
Henry	53,141.45	53,141.45		Weakley	23,911.04	23,911.04	
Johnson	263.40		263.40	White	421.60		421.60
Knox	1,540.40		1,540.40	Williamson	5,088.00		5,088.00
Lake	252,608.00	252,608.00		Wilson	1,301.20	168.00	1,133.20
Lauderdale	193,795.47	193,795.47					
Lawrence	126,685.08	126,685.08		Total	3,357,447.59	3,290,806.19	66,641.40
Lewis	2,461.93	2,461.93					

TEXAS

County	Total	Cotton	Wheat
Anderson	$183,194.04	$183,194.04	
Andrews	2,479.50	2,479.50	
Angelina	127,307.55	127,307.55	
Arkansas	4,903.00	4,903.00	
Archer	34,777.00	34,777.00	
Armstrong	18,251.00	18,251.00	
Atascosa	160,282.50	160,282.50	
Austin	80,135.31	80,135.31	
Bailey	319,906.00	316,445.00	$3,461.00
Bandera	1,038.50	1,038.50	
Bastrop	128,663.75	128,663.75	
Baylor	167,185.00	167,185.00	
Bee	184,132.50	184,132.50	
Bell	690,127.93	690,127.93	
Bexar	98,045.00	98,045.00	
Blanco	19,114.50	19,114.50	
Borden	41,883.00	41,883.00	
Bosque	124,726.50	124,726.50	
Bowie	214,941.22	214,941.22	
Brazoria	60,215.03	60,215.03	
Brazos	169,282.06	169,282.06	
Brewster	400.00	400.00	
Briscoe	162,113.70	131,313.50	30,800.20
Brooks	2,506.00	2,506.00	
Brown	145,618.00	145,618.00	
Burleson	184,301.00	184,301.00	
Burnet	102,695.35	102,695.35	
Caldwell	366,648.75	366,648.75	
Calhoun	142,219.62	142,219.62	
Callahan	114,927.00	114,927.00	
Cameron	22,858.00	22,858.00	
Camp	55,892.09	55,892.09	
Carson	3,308.00	3,308.00	
Cass	183,495.97	183,495.97	

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

TEXAS—Continued

County	Total	Cotton	Wheat
Castro	$93, 397. 00	$93, 397. 00	
Chambers	7, 818. 50	7, 818. 50	
Cherokee	131, 182. 52	131, 182. 52	
Childress	437, 609. 00	437, 609. 00	
Clay	257, 006. 05	244, 616. 25	$12, 389. 80
Cochran	59, 586. 00	59, 586. 00	
Coke	123, 249. 93	123, 249. 93	
Coleman	299, 812. 00	299, 812. 00	
Collin	669, 711. 55	669, 711. 55	
Collingsworth	559, 124. 50	559, 124. 50	
Colorado	78, 288. 25	78, 288. 25	
Comal	29, 866. 50	29, 866. 50	
Comanche	135, 788. 97	135, 788. 97	
Concho	218, 658. 50	218, 658. 50	
Cooke	135, 785. 25	135, 785. 25	
Coryell	304, 306. 75	304, 306. 75	
Cottle	286, 404. 20	286, 404. 20	
Crosby	557, 184. 00	557, 184. 00	
Dallas	434, 021. 49	424, 539. 09	9, 482. 40
Dawson	83, 252. 25	83, 252. 25	
Deaf Smith	175, 712. 40	1, 391. 00	174, 321. 40
Delta	265, 331. 66	265, 331. 66	
Denton	349, 018. 75	319, 093. 01	29, 925. 74
De Witt	131, 750. 69	131, 750. 69	
Dickens	260, 184. 50	260, 184. 50	
Dimmit	2, 549. 00	2, 549. 00	
Donley	243, 371. 00	243, 371. 00	
Duval	31, 693. 00	31, 693. 00	
Eastland	59, 919. 00	59, 919. 00	
Ellis	978, 864. 25	976, 378. 25	2, 486. 00
El Paso	84, 324. 70	84, 324. 70	
Erath	161, 314. 00	161, 314. 00	
Falls	631, 269. 38	631, 269. 38	
Fannin	590, 822. 25	589, 265. 85	1, 556. 40
Fayette	124, 832. 09	124, 832. 09	
Fisher	420, 495. 00	420, 495. 00	
Floyd	368, 630. 20	256, 128. 00	112, 502. 20
Foard	141, 400. 00	141, 400. 00	
Fort Bend	307, 575. 25	307, 575. 25	
Franklin	67, 185. 79	67, 185. 79	
Freestone	187, 919. 25	187, 919. 25	
Frio	32, 486. 00	32, 486. 00	
Gaines	40, 301. 50	40, 301. 50	
Galveston	4, 401. 35	4, 401. 35	
Garza	175, 000. 94	175, 000. 94	
Gillespie	14, 775. 50	14, 039. 50	736. 00
Glasscock	175. 00	175. 00	
Goliad	101, 210. 00	101, 210. 00	
Gonzales	349, 689. 63	349, 689. 63	
Gray	194, 121. 95	45, 461. 75	148, 660. 20
Grayson	378, 426. 06	378, 426. 06	
Gregg	20, 231. 50	20, 231. 50	
Grimes	141, 445. 61	141, 445. 61	
Guadalupe	338, 792. 07	338, 792. 07	
Hale	521, 345. 90	376, 115. 50	145, 230. 40
Hall	476, 229. 00	476, 229. 00	
Hamilton	109, 258. 50	109, 258. 50	
Hansford	177, 492. 40		177, 492. 40
Hardeman	293, 162. 00	293, 162. 00	
Hardin	644. 00	644. 00	
Harris	86, 585. 86	86, 585. 86	
Harrison	168, 379. 13	168, 379. 13	
Hartley	41, 459. 40		41, 459. 40
Haskell	422, 386. 50	422, 386. 50	
Hays	126, 791. 81	126, 791. 81	
Hemphill	108, 797. 40	83, 225. 00	25, 572. 40
Henderson	229, 936. 96	229, 936. 96	
Hidalgo	104, 513. 25	104, 513. 25	
Hill	706, 994. 47	706, 994. 47	
Hockley	572, 456. 00	571, 968. 00	488. 00
Hood	35, 902. 65	35, 902. 65	
Hopkins	279, 146. 16	279, 146. 16	
Houston	235, 295. 14	235, 295. 14	
Howard	218, 902. 50	218, 902. 50	
Hudspeth	39, 006. 00	39, 006. 00	
Hunt	603, 086. 24	603, 086. 24	
Hutchinson	55, 089. 00		55, 089. 00
Irion	3, 471. 00	3, 471. 00	
Jack	44, 666. 00	44, 666. 00	
Jackson	238, 776. 75	238, 776. 75	

Exhibit 10.—Rental and Benefit Payments—Continued

Through Dec. 31, 1933, by States and counties—Continued

TEXAS—Continued

County	Total	Cotton	Wheat
Jasper	$20,834.39	$20,834.39	
Jeff Davis	40.00	40.00	
Jefferson	13,871.25	13,871.25	
Jim Hogg	29,283.00	29,283.00	
Jim Wells	66,245.00	66,245.00	
Johnson	285,961.33	285,961.33	
Jones	685,934.50	685,934.50	
Karnes	383,829.00	383,829.00	
Kaufman	535,157.41	535,157.41	
Kenedy	657.00	657.00	
Kent	102,059.00	102,059.00	
Kerr	476.00	476.00	
Kimble	5,718.00	5,718.00	
King	37,334.00	37,334.00	
Kleberg	35,412.00	35,412.00	
Knox	283,599.50	283,599.50	
Lamar	376,306.56	376,306.56	
Lamb	1,389,192.75	1,371,423.75	$17,769.00
Lampasas	59,630.60	59,630.60	
La Salle	33,738.00	33,738.00	
Lavaca	45,368.05	45,368.05	
Lee	51,500.00	51,500.00	
Leon	175,434.00	175,434.00	
Liberty	53,611.36	53,611.36	
Limestone	795,322.50	795,322.50	
Lipscomb	161,725.60	3,079.00	158,646.60
Live Oak	215,459.00	215,459.00	
Llano	22,096.00	22,096.00	
Lubbock	993,860.10	993,860.10	
Lynn	564,396.00	564,396.00	
McCullock	221,042.00	221,042.00	
McLennan	807,117.63	807,117.63	
McMullen	25,954.00	25,954.00	
Madison	161,663.66	161,663.66	
Marion	42,141.52	42,141.52	
Martin	20,953.00	20,953.00	
Mason	25,991.50	25,991.50	
Martagorda	103,993.75	103,993.75	
Medina	37,392.00	37,392.00	
Menard	12,034.50	12,034.50	
Midland	11,874.50	11,874.50	
Milam	525,817.50	525,817.50	
Mills	66,884.04	65,478.44	1,405.60
Mitchell	322,334.00	322,334.00	
Montague	125,775.19	125,775.19	
Montgomery	41,670.09	41,670.09	
Morris	45,693.14	45,693.14	
Motley	192,207.80	192,207.80	
Nacogdoches	205,636.68	205,636.68	
Navarro	897,101.70	897,101.70	
Newton	8,166.48	8,166.48	
Nolan	218,272.25	218,272.25	
Nueces	917,433.00	917,433.00	
Oldham	58,160.60		58,160.60
Orange	2,596.50	2,596.50	
Palo Pinto	44,920.50	44,920.50	
Panola	147,101.38	147,101.38	
Parker	48,026.00	48,026.00	
Parmer	106,492.50	106,492.50	
Pecos	13,702.50	13,702.50	
Polk	76,577.47	76,577.47	
Potter	21,628.80		21,628.80
Presidio	10,932.00	10,932.00	
Rains	95,296.20	95,296.20	
Randall	165,206.00	6,843.00	158,363.00
Red River	282,904.77	282,904.77	
Reeves	13,522.50	13,522.50	
Refugio	173,852.00	173,852.00	
Roberts	58,084.40	1,162.00	56,922.40
Robertson	342,638.80	342,638.80	
Rockwall	148,540.69	148,540.69	
Runnels	506,863.20	504,974.00	1,889.20
Rusk	183,109.31	183,109.31	
Sabine	42,254.33	42,254.33	
San Augustine	91,773.16	91,773.16	
San Jacinto	43,641.89	43,641.89	
San Patricio	565,618.25	565,618.25	
San Saba	147,932.00	147,932.00	
Schleicher	68,078.00	68,078.00	
Scurry	248,627.00	248,627.00	

EXHIBIT 10.—RENTAL AND BENEFIT PAYMENTS—Continued

Through Dec. 31, 1933, by States and counties—Continued

TEXAS—Continued

County	Total	Cotton	Wheat
Shackelford	$31, 500. 50	$31, 500. 50	
Shelby	201, 937. 89	201, 937. 89	
Sherman	142, 638. 60		$142, 638. 60
Smith	220, 008. 53	220, 008. 53	
Somervell	19, 059. 24	19, 059. 24	
Starr	73, 441. 25	73, 441. 25	
Stephens	18, 945. 50	16, 103. 50	2, 842. 00
Sterling	31, 140. 00	31, 140. 00	
Stonewall	163, 679. 50	163, 679. 50	
Sutton	728. 00	728. 00	
Swisher	86, 229. 80	86, 229. 80	
Tarrant	128, 173. 39	128, 173. 39	
Taylor	440, 342. 50	440, 342. 50	
Terry	195, 601. 00	195, 601. 00	
Throckmorton	62, 693. 80	59, 633. 00	3, 060. 80
Titus	108, 055. 50	108, 055. 50	
Tom Green	319, 262. 60	316, 427. 00	2, 835. 60
Travis	270, 833. 75	270, 833. 75	
Trinity	82, 209. 34	82, 209. 34	
Tyler	24, 668. 75	24, 668. 75	
Upshur	113, 544. 09	113, 544. 09	
Uvalde	16, 155. 00	16, 155. 00	
Van Zandt	321, 092. 01	321, 092. 01	
Victoria	188, 355. 25	188, 355. 25	
Walker	72, 316. 55	72, 316. 55	
Waller	62, 309. 02	62, 309. 02	
Ward	22, 463. 00	22, 463. 00	
Washington	75, 620. 85	75, 620. 85	
Webb	10, 798. 89	10, 798. 89	
Wharton	266, 464. 01	266, 464. 01	
Wheeler	366, 502. 28	360, 383. 88	6, 118. 40
Wichita	227, 293. 00	227, 293. 00	
Wilbarger	307, 545. 50	307, 545. 50	
Willacy	7, 149. 00	7, 149. 00	
Williamson	673, 862. 66	673, 862. 66	
Wilson	170, 576. 50	170, 576. 50	
Wise	85, 865. 70	79, 568. 50	6, 297. 20
Wood	138, 243. 38	138, 243. 38	
Yoakum	17, 162. 00	17, 162. 00	
Young	146, 781. 79	146, 781. 79	
Zapata	2, 396. 00	2, 396. 00	
Zavala	3, 328. 00	3, 328. 00	
Total	44, 580, 877. 37	42, 970, 646. 63	1, 610, 230. 74

UTAH

County	Wheat	County	Wheat	County	Wheat
Box Elder	$147, 028. 40	Kane	$249. 20	Wayne	$1, 636. 80
Cache	74, 494. 80	Piute	315. 80	Weber	5, 836. 20
Davis	2, 469. 20	Rich	2, 085. 20		
Garfield	470. 00	Sevier	9, 345. 20	Total	243, 930. 80

VERMONT

County	Tobacco
Windham	$2, 384. 45

Exhibit 10.—Rental and Benefit Payments—Continued

Through Dec. 21, 1933, by States and counties—Continued

VIRGINIA

County	Total	Cotton	Wheat	County	Total	Cotton	Wheat
Albemarle	$2, 176. 00		$2, 176. 00	Mecklenberg	$17, 750. 98	$17, 750. 98	
Augusta	57, 454. 80		57, 454. 80	Middlesex	37. 80		$37. 80
Bedford	2, 238. 40		2, 238. 40	Montgomery	2, 909. 47		2, 909. 47
Botetourt	3, 400. 00		3, 400. 00	Nansemond	13, 329. 75	13, 329. 75	
Brunswick	22, 760. 51	$22, 501. 91	258. 60	Nelson	231. 00	231. 00	
Buckingham	1, 310. 80		1, 310. 80	Norfolk	1, 671. 60	1, 671. 60	
Campbell	2, 523. 20		2, 523. 20	Northumberland	3, 362. 00		3, 362. 00
Caroline	5, 630. 40		5, 630. 40	Orange	8, 322. 60		8, 322. 60
Carroll	663. 40		663. 40	Page	13, 484. 20		13, 484. 20
Charlotte	941. 00	58. 00	883. 00	Pittsylvania	1, 857. 40		1, 857. 40
Clarke	8, 579. 40		8, 579. 40	Powhatan	86. 80		86. 80
Culpeper	10, 565. 00		10, 565. 00	Prince Edward	618. 60		618. 60
Cumberland	1, 526. 00		1, 526. 00	Prince William	7, 958. 68		7, 958. 68
Dinwiddie	1, 573. 25	1, 573. 25		Princess Anne	1, 286. 22	1, 286. 22	
Essex	4, 169. 20		4, 169. 20	Pulaski	5, 665. 00		5, 665. 00
Fairfax	2, 717. 20		2, 717. 20	Rappahannock	3, 009. 40		3, 009. 40
Fauquier	16, 074. 00		16, 074. 00	Richmond	3, 947. 60		3, 947. 60
Fluvanna	915. 20		915. 20	Roanoke	1, 879. 00		1, 879. 00
Frederick	9, 726. 00		9, 726. 00	Rockbridge	11, 765. 00		11, 765. 00
Goochland	1, 333. 80		1, 333. 80	Rockingham	41, 999. 32		41, 999. 32
Greene	1, 038. 87		1, 038. 87	Russell	977. 00		977. 00
Greensville	22, 441. 00	22, 441. 00		Shenandoah	18, 246. 04		18, 246. 04
Halifax	455. 80		455. 80	Smyth	3, 224. 00		3, 224. 00
Hanover	2, 439. 40		2, 439. 40	Southampton	28, 974. 65	28, 974. 65	
Isle of Wight	3, 986. 25	3, 986. 25		Spotsylvania	4, 434. 20		4, 434. 20
King and Queen	344. 20		344. 20	Sussex	10, 823. 92	10, 823. 92	
King William	126. 00		126. 00	Warren	8, 492. 40		8, 492. 40
Lee	323. 00		323. 00	Washington	4, 901. 79		4, 901. 79
Loudoun	23, 479. 80		23, 479. 80	Westmoreland	8, 705. 02		8, 705. 02
Louisa	1, 718. 40		1, 718. 40	Wythe	5, 227. 00		5, 227. 00
Lunenburg	4, 044. 40	4, 044. 40					
Madison	8, 160. 00		8, 160. 00	Total	460, 013. 12	128, 672. 93	331, 340. 19

WASHINGTON

County	Wheat
Island	$3, 766. 40
Kittitas	12, 325. 20
Total	16, 091. 60

WEST VIRGINIA

County	Wheat	County	Wheat	County	Wheat
Berkeley	$11, 317. 20	Jefferson	$20, 112. 40	Summers	$92. 40
Grant	1, 283. 60	Mineral	663. 60	Total	43, 165. 40
Greenbrier	1, 932. 60	Monroe	1, 466. 00		
Hampshire	1, 464. 80	Morgan	812. 80		
Hardy	2, 693. 60	Pendleton	1, 326. 40		

Exhibit 10.—Rental and Benefit Payments—Continued

Through Dec. 31, 1933, by States and counties—Continued

WISCONSIN

County	Total	Wheat	Tobacco
Barron	$82.00		$82.00
Bayfield	85.40	$85.40	
Brown	162.20	162.20	
Buffalo	531.10		531.10
Burnett	96.60	96.60	
Calumet	478.80	478.80	
Chippewa	1,849.28	35.20	1,814.08
Clark	199.40	199.40	
Columbia	21,291.03	273.00	21,018.03
Crawford	17,690.05		17,690.05
Dane	139,769.14	315.00	139,454.14
Dodge	172.60	172.60	
Door	1,799.40	1,799.40	
Dunn	7,509.30	2,234.40	5,274.90
Eau Claire	527.20	278.40	248.80
Fond Du Lac	111.20	111.20	
Forest	41.40		41.40
Grant	1,928.95		1,928.95
Green	1,600.35		1,600.35
Iowa	37.60	9.60	28.00
Jackson	4,338.55		4,338.55
Jefferson	4,218.84		4,218.84
Juneau	874.95		874.95
Kenasha	259.20	259.20	
Kewaunec	206.00	206.00	
La Crosse	4,580.19		4,580.19
Manitowac	$108.40	$108.40	
Marquette	18.60	18.60	
Milwaukee	40.20	40.20	
Monroe	8,820.27		$8,820.27
Oneida	14.60	14.60	
Ozaukee	169.00	169.00	
Pepin	871.60	871.60	
Pierce	1,238.95		1,238.95
Polk	78.00		78.00
Portage	169.40	169.40	
Price	24.80	24.80	
Richland	3,863.32		3,863.32
Rock	53,925.63	514.80	53,410.83
Sauk	162.30		162.30
St. Croix	6,924.60	6,924.60	
Shawano	139.00	139.00	
Sheboygan	77.40	77.40	
Trempaleau	7,927.74		7,927.74
Vernon	63,993.70		63,993.70
Vilas	64.60	64.60	
Walworth	433.60	364.60	69.00
Waushara	223.00	223.00	
Winnebago	44.00		44.00
Total	359,773.44	16,441.00	343,332.44

WYOMING

County	Wheat
Carbon	$1,069.80
Lincoln	2,955.80
Total	4,025.60

APPENDIX C.—BANKHEAD FUND

Exhibit 11.—Analysis of Use of Bankhead Amendment Fund

(Sec. 220, National Industrial Recovery Act)

Farm Credit Administration:		
June 19, 1933	$40,000,000	
Sept. 14, 1933	10,000,000	
Dec. 1, 1933	10,000,000	
	60,000,000	
Used for reimbursement of revolving fund for equity in cotton and for payment to the A.A.A. on cotton future contracts assumed		$60,000,000
Commodity Credit Corporation:		
Oct. 20, 1933	$3,000,000	
Used for joint purchase of capital stock of the corporation by the Secretary of Agriculture and the Governor of the Farm Credit Administration		3,000,000
Agricultural Adjustment Administration:		
Dec. 11, 1933	$37,000,000	
Used to supplement proceeds from processing tax on corn for the purpose of making rental and benefit payments		37,000,000
Total funds available		100,000,000

APPENDIX D.—COTTON OPTION CONTRACTS

Exhibit 12.—Summary of Cotton Option Contracts as of December 20, 1933

State	Number of offers		Number of cotton options accepted	Number of bales optioned
	Received	Accepted		
Alabama	141,823	141,090	65,470	194,870
Arizona	715	703	527	14,300
Arkansas	101,293	[1] 100,381	[1] 48,986	[1] 228,765
California	398	392	309	9,808
Florida	4,475	4,439	1,612	3,856
Georgia	98,326	97,066	61,769	213,550
Kansas	27	27	14	65
Kentucky	89	87	22	782
Louisiana	62,476	[1] 61,914	[1] 32,691	[1] 114,092
Mississippi	110,298	[1] 109,305	[1] 68,862	[1] 268,562
Missouri	9,096	8,995	2,078	26,414
New Mexico	1,613	1,598	838	13,409
North Carolina	50,216	49,911	36,041	104,609
Oklahoma	89,279	[1] 88,475	[1] 41,406	[1] 204,960
South Carolina	69,080	68,239	57,425	180,671
Tennessee	47,043	46,504	22,128	66,182
Texas	252,683	[1] 250,409	[1] 129,712	[1] 738,095
Virginia	3,185	3,170	2,079	4,805
United States	1,042,115	1,032,705	571,969	2,387,795

[1] Estimated.

APPENDIX E.—EMERGENCY HOG-BUYING PROGRAM [1]

Exhibit 13.—A Numerical Summary of the Emergency Program as of Jan. 15, 1934

	Number of head	Approximate live weight	Approximate total amount paid for live hogs
Purchases for edible purposes:		*Pounds*	
Pigs (70–80–100 pounds)	[1] 1,083,650	93,816,471	$5,928,177.62
Sows	222,149	79,100,364	3,355,182.28
Total	1,305,799	172,916,835	9,283,359.90
Purchases for inedible purposes: Light pigs	5,105,067	270,573,305	21,359,742.05
Total	6,410,866	443,490,140	30,643,101.95

Yield of edible product:		
Pounds dry-salt meat produced	pounds	100,145,000
Shrinkage in cure	do	2,614,000
Net yield of meat	do	97,531,000
Amount of product ordered shipped (as of Jan. 1, 1934)	do	86,303,674
Remainder available for distribution (subsequent to Jan. 1, 1934)	do	11,227,326
Amount remaining for distribution (as of Jan. 25, 1934)	do	1,500,000
Yield and processing cost of inedible products:		
Yield of grease	do	20,868,355
Estimated potential yield of tankage	do	25,000,000
Amount of tankage saved and stored	do	10,086,000
Total processing cost for inedible purposes (including cost of tankage disposal)		$1,874,000

Exhibit 13a.—Report of Total Number of Pigs and Sows Purchased During the Emergency Hog Marketing Program by State of Origin, Aug. 23 to Oct. 7, 1933, Both Dates Inclusive

	Edibles			Inedibles		
	Number of head	Live weight	Live weight cost	Number of head	Live weight	Live weight cost
		Pounds			*Pounds*	
New York	310	27,640	$1,850.15	1,189	55,405	$4,796.94
New Jersey	148	12,485	873.38	1,467	65,862	5,727.73
Pennsylvania	228	19,925	1,347.24	1,097	53,175	4,596.70
Ohio	69,095	5,938,994	398,354.59	330,995	17,511,490	1,444,587.55
Indiana	76,538	6,547,236	433,440.55	268,561	14,601,535	1,183,172.69
Illinois	113,409	9,875,978	643,961.17	427,839	23,818,485	1,908,643.36
Michigan	16,281	1,409,235	92,850.15	59,185	3,192,885	258,899.85
Wisconsin	33,391	2,935,033	187,081.51	129,066	7,307,716	572,829.00
Minnesota	79,265	6,959,972	426,924.98	374,892	20,457,890	1,577,928.66
Iowa	116,147	10,050,221	632,490.70	429,317	23,909,516	1,858,239.09
Missouri	147,995	12,798,952	807,808.92	627,720	34,077,624	2,671,434.16
North Dakota	30,723	2,666,945	163,343.42	206,819	10,680,540	833,117.81
South Dakota	82,956	7,187,894	449,895.76	713,310	35,949,143	2,866,249.53
Nebraska	84,001	7,193,135	447,386.57	353,735	18,905,896	1,471,287.61
Kansas	121,917	10,592,273	652,245.59	568,320	29,695,225	2,311,535.22
Maryland	375	32,740	2,221.11	4,756	215,750	18,842.61
Virginia	2,264	194,865	12,877.70	17,430	856,780	71,467.05
West Virginia	901	81,017	5,397.25	7,573	392,645	33,040.90
North Carolina	732	63,465	3,880.69	3,681	180,705	14,135.63
South Carolina	290	24,389	1,503.20	2,379	111,100	8,559.15
Georgia	1,450	133,356	6,957.76	9,110	436,050	31,327.63
Florida	1,236	107,075	5,894.55	4,353	227,640	15,761.93
Kentucky	10,664	929,030	60,156.73	46,164	2,484,055	199,131.16
Tennessee	3,885	326,335	21,570.63	21,341	1,061,225	87,064.43
Alabama	490	42,696	2,593.33	3,549	164,493	12,950.37
Mississippi	135	12,015	720.57	1,669	78,210	6,237.44
Arkansas	4,227	359,305	23,149.20	27,721	1,307,865	108,736.63
Louisiana	7	610	36.60	116	6,770	506.35
Oklahoma	55,243	4,758,126	289,332.30	314,587	15,355,620	1,209,760.66
Texas	15,440	1,331,755	79,960.76	75,995	3,703,700	287,737.92
Montana	1,177	101,285	6,271.10	5,495	306,290	23,301.62
Idaho	977	83,351	5,016.74	2,675	140,202	10,574.05
Wyoming	1,223	102,253	6,396.18	5,727	296,949	22,928.82
Colorado	5,315	460,999	27,615.68	34,702	1,805,660	136,516.89
New Mexico	274	24,270	1,452.46	1,835	94,490	7,228.46
Arizona	1,339	116,825	6,918.90	4,408	223,872	17,086.23
Utah	197	17,189	790.12	782	41,162	3,108.47
Nevada				80	4,270	328.93
Washington	534	47,837	2,786.54	2,974	165,065	12,164.25
Colorado	307	26,335	1,574.95	1,536	76,165	5,875.39
Oregon	2,569	223,850	13,274.12	10,917	554,185	42,323.18

[1] Figures dealing with the emergency hog-buying program given herein are subject to revision in all instances. This report is based upon the latest available information, but the final report of the auditors for the Agricultural Adjustment Administration is not yet available. Final figures will not differ greatly from those presented herein. Figures for pigs and sows purchased for edible purposes are also given in appendix F, exhibit 15.

EXHIBIT 13A.—REPORT OF TOTAL NUMBER OF PIGS AND SOWS PURCHASED DURING THE EMERGENCY HOG MARKETING PROGRAM BY STATE OF ORIGIN, AUG. 23 TO OCT. 7, 1933, BOTH DATES INCLUSIVE—Continued

	Sows			Total pigs and sows		
	Number of head	Live weight	Live weight cost	Number of head	Live weight	Live weight cost
		Pounds			*Pounds*	
New York	65	20, 690	$917. 11	1, 564	103, 735	$7, 564. 20
New Jersey	14	6, 680	272. 28	1, 629	85, 027	6, 873. 39
Pennsylvania	29	10, 720	444. 69	1, 354	83, 820	6, 388. 63
Ohio	5, 586	1, 877, 010	76, 633. 95	405, 676	25, 327, 494	1, 919, 576. 09
Indiana	11, 997	4, 224, 065	181, 554. 58	357, 096	25, 372, 836	1, 798, 167. 82
Illinois	35, 671	12, 897, 400	561, 607. 90	576, 919	26, 591, 863	3, 114, 212. 43
Michigan	1, 874	652, 020	28, 000. 66	77, 340	5, 254, 140	379, 750. 66
Wisconsin	5, 464	1, 964, 080	85, 042. 46	167, 921	12, 206, 829	844, 952. 97
Minnesota	14, 496	5, 356, 486	219, 735. 15	468, 653	32, 774, 448	2, 224, 588. 79
Iowa	70, 341	25, 514, 955	1, 079, 754. 47	615, 805	59, 474, 692	3, 570, 484. 26
Missouri	9, 866	3, 479, 954	145, 265. 74	785, 581	50, 356, 530	3, 624, 508. 82
North Dakota	1, 419	418, 960	18, 177. 74	238, 961	13, 766, 445	1, 014, 638. 97
South Dakota	11, 516	3, 961, 100	165, 451. 18	807, 782	47, 098, 137	3, 481, 596. 47
Nebraska	35, 664	12, 600, 864	542, 188. 87	473, 400	38, 699, 895	2, 460, 863. 05
Kansas	8, 593	2, 967, 503	118, 203. 74	698, 830	43, 255, 001	3, 081, 984. 55
Maryland	39	12, 845	676. 49	5, 170	261, 335	21, 740. 21
Virginia	136	42, 510	2, 161. 68	19, 830	1, 094, 155	86, 506. 43
West Virginia	11	3, 315	155. 31	8, 485	476, 977	38, 593. 46
North Carolina	12	3, 750	187. 60	4, 425	247, 920	18, 203. 92
South Carolina	17	5, 805	249. 12	2, 686	141, 294	10, 311. 47
Georgia	29	9, 290	377. 89	10, 589	578, 696	38, 663. 28
Florida	25	9, 140	377. 90	5, 614	345, 855	22, 034. 38
Kentucky	1, 309	411, 295	17, 131. 79	58, 137	3, 824, 380	276, 419. 70
Tennessee	327	99, 175	4, 498. 49	25, 553	1, 486, 735	1, 131, 133. 55
Alabama	22	6, 470	283. 94	4, 061	213, 659	15, 827. 64
Mississippi	2	535	24. 05	1, 806	90, 760	6, 982. 06
Arkansas	105	33, 180	1, 438. 84	32, 053	1, 700, 350	133, 324. 67
Louisiana	----------	----------	----------	123	7, 380	542. 95
Oklahoma	3, 949	1, 304, 420	51, 748. 67	373, 779	21, 418, 166	1, 550, 841. 63
Texas	707	222, 601	8, 969. 22	92, 142	5, 258, 056	376, 667. 90
Montana	194	64, 505	2, 890. 16	6, 866	472, 080	32, 462. 88
Idaho	194	68, 199	3, 097. 70	3, 846	291, 752	18, 688. 49
Wyoming	107	38, 300	1, 633. 90	7, 057	437, 502	30, 958. 90
Colorado	1, 074	391, 346	16, 352. 44	41, 091	2, 658, 005	180, 485. 01
New Mexico	29	9, 175	423. 37	2, 138	127, 935	9, 104. 29
Arizona	101	28, 715	1, 235. 58	5, 848	369, 412	25, 240. 71
Utah	50	16, 781	601. 39	1, 029	75, 132	4, 499. 98
Nevada	9	2, 840	138. 20	89	7, 110	467. 13
Washington	270	92, 035	4, 207. 23	3, 778	304, 937	19, 158. 02
California	117	44, 440	2, 138. 76	1, 960	146, 940	9, 589. 10
Oregon	714	226, 790	10, 905. 79	14, 200	1, 007, 825	66, 503. 09

APPENDIX F.—SURPLUS RELIEF PURCHASES

EXHIBIT 14.—EXPENDITURES BY FEDERAL SURPLUS RELIEF CORPORATION FROM FEDERAL EMERGENCY RELIEF ADMINISTRATION FUNDS TO FEB. 1, 1934

Commodity		Quantity	Expenditures
Apples	pounds	1, 066, 000	$127, 920. 00
Milkwheato (breakfast cereal)	do	2, 665, 872	157, 548. 00
Beans (dried)	do	5, 000, 000	190, 942. 00
Beef	do	19, 257, 600	3, 082, 616. 00
Wheat	bushels	6, 847, 000	6, 710, 060. 00
Corn	do	480, 700	264, 385. 00
Oats	do	481, 600	192, 640. 00
Lard	pounds	10, 000, 000	550, 000. 00
Sorghum	gallons	108, 000	50, 080. 00
Cane syrup	do	121, 000	67, 760. 00
Flour (processing costs)	pounds	89, 941, 396	2, 230, 546. 62
Cheese (processing costs) [1]	do	1, 190, 000	40, 460. 00
Butter (processing and distributing costs) [1]	do	44, 000, 000	440, 000. 00
Smoked pork (processed product)	do	34, 054, 082	4, 597, 301. 07
Smoked pork (processing and warehousing costs)	do	93, 800, 000	[2]
Salt pork (processing and distributing costs) [1]	do	100, 000, 000	3, 000, 000. 00
Blankets (wool and cotton)		1, 018, 500	1, 329, 234. 85
Total			23, 031, 493. 54

[1] Purchase cost of natural cheese, butter in tubs and live animals derived from Agricultural Adjustment Administration funds.
[2] Final cost not determined.

EXHIBIT 15.—EXPENDITURES FOR SURPLUS RELIEF PURPOSES FROM AGRICULTURAL ADJUSTMENT ADMINISTRATION FUNDS TO JAN. 17, 1934

First Pork Program—Completed [1]

	Approximate number of head	Approximate live weight	Approximate total live costs
		Pounds	
Pigs	1, 083, 650	98, 816, 471	$5, 928, 177. 62
Sows	222, 149	79, 100, 364	3, 355, 182. 28
Total	1, 305, 799	172, 916, 835	9, 283, 359. 90

[1] These totals are also included in the summary of the Emergency Hog Buying Program, in appendix E.

Second Pork Program

Purchases being made at the rate of 21,000 hogs each day, total expenditures to be not in excess of $10,000,000.

There have been, to date, delivered to the Federal Surplus Relief Corporation, under the second pork program, 27,823 hogs having a total weight of 5,197,840 pounds and a total money value of $190,293.86.

Butter and Cheese Program [1]

Butter purchased Aug. 17 to Dec. 16, 1933	pounds		43, 231, 760
Butter ordered (not delivered)	do		3, 011, 000
Cheese ordered:			
Natural cheese	pounds	1, 190, 000	
Processed cheese	do	2, 412, 000	
			3, 602, 000

Total expenditure for surplus relief purposes from Agricultural Adjustment Administration funds to January 17, 1934, $30,481,000.

[1] Total expenditure of butter and cheese program not to be in excess of $11,250,000.

APPENDIX G.—MARKETING AGREEMENTS, LICENSES, AND CODES

Exhibit 16.—List of Marketing Agreements, Licenses, and Codes Placed in Effect up to Feb. 1, 1934

MARKETING AGREEMENTS

No.

1. Chicago—milk
2. Cling peaches canned in California
3. Philadelphia—milk
4. Detroit—milk
5. Twin Cities—milk
6. California—deciduous tree fruits, except apples
7. Evaporated milk
8. Dry skim milk
9. Baltimore—milk
10. California—rice
11. Tokay grapes
12. Walnut packers
13. Knoxville—milk
14. North Pacific wheat surplus
15. Flue-cured tobacco
16. Northwest deciduous tree fruits
17. Southern rice
18. Evansville—milk
19. Des Moines—milk
20. New Orleans—milk
21. New England (greater Boston)—milk
22. Alameda County (Oakland)—milk
23. Los Angeles—milk
24. St. Louis—milk
25. Alcoholic beverage importing industry
26. California—olive canners
27. Distilled spirits industry
28. Connecticut Valley—shade-grown tobacco
29. Florida—citrus
30. California-Arizona—citrus
31. San Diego—milk
32. Richmond—milk
33. Texas—citrus
34. Burley tobacco
35. Peanut millers

LICENSES

No.

1. Chicago—milk
2. Cling peaches canned in California
3. Philadelphia—milk
4. Detroit—milk
5. Twin Cities—milk
6. Baltimore—milk
7. California deciduous tree fruits, except apples
8. Walnut packers
9. Tokay grapes
10. Knoxville—milk
11. Southern rice
12. Evansville—milk
13. Des Moines—milk
14. New Orleans—milk
15. New England (Greater Boston)—milk
16. Alameda County (Oakland)—milk
17. Los Angeles—milk
18. St. Louis—milk
19. Alcoholic beverage importing industry
20. California—olive canners
21. Distilled spirits industry
22. Florida—citrus
23. California-Arizona—citrus
24. San Diego—milk
25. Richmond—milk
26. Texas—citrus
27. Northwest deciduous tree fruits
28. Connecticut Valley—shade-grown tobacco
29. Peanut millers

CODES

No.

1. Imported date packing industry
2. Southern rice milling industry
3. Distilled spirits industry
4. Alcoholic beverage importing industry
5. Brewing industry
6. Alcoholic beverage wholesale industry
7. Distilled spirits rectifying industry
8. Commercial and breeder hatchery industry
9. Wine industry

APPENDIX H.—REGULATIONS

Exhibit 17.—List of Regulations Issued

The following regulations were issued by the Agricultural Adjustment Administration up to January 15, 1934:

Cotton Regulations, series 2.
Cotton Regulations, series 2, supplement 1.
Cotton Regulations, series 2, supplement 2.
Field Corn Regulations, series 1.
Field Corn Regulations, series 1, supplement 1.
Field Corn Regulations, series 1, supplement 1, revision 1.
Field Corn Regulations, series 1, supplement 2.
General Regulations, series 1, revision 1.
General Regulations, series 2.
General Regulations, series 3.
General Regulations, series 3, amendment 1.
General Regulations, series 4.
General Regulations, series 6.
Hog Regulations, series 1.
Hog Regulations, series 1, supplement 1.
Hog Regulations, series 1, revision 1.
Jute Regulations, series 1.
Paper Regulations, series 1.
Tobacco Regulations, series 1.
Tobacco Regulations, series 2.
Wheat Regulations, series 1.
Wheat Regulations, series 1, supplement 1.
Wheat Regulations, series 2.

Exhibit 18.—Index to Regulations

APPENDIX I

CONTRACTS

Exhibit 19

OFFER TO ENTER INTO COTTON OPTION-BENEFIT OR BENEFIT CONTRACTS

(Dates of approval)

Local committee........................	Cash payment........................dollars
County committee........................	Cotton optioned........................bales
Secretary of Agriculture........................	Cotton planted in 1933........................acres
	Acreage reduced in 1933........................acres
	Yield per acre accepted........................pounds
	Date of filing........................, 1933

Acceptance of offers will be at the discretion of the Secretary of Agriculture.
Offers for option-benefit contracts will be accepted only to the amount of cotton held by the Secretary.

(Grower should not fill in blanks above this line)

Name and address to be typed or printed.

The undersigned

Mr. / Mrs. / Miss .... (First name) .... (Middle initial) .... (Last name)

Post-office address .... (R.F.D.) .... (Box No.) .... (Post office) .... (State)

owns* / rents and operates a farm........................ (Miles and direction) from .... (Town) on .... Road

in .... County, State of ...., and is desirous of cooperating with the Secretary of Agriculture in the effort being made to reduce the 1933 cotton production in America, and to this end and in order to obtain the payments to be made by the Secretary of Agriculture on behalf of the United States, makes the following offer and representations of fact, to wit:

1. I have now planted to cotton on the above-mentioned farm .... acres. This cotton is up to a good* / fair / poor stand. This cotton is* / is not fertilized with approximately .... pounds of fertilizer per acre.

2. In 1932 I harvested from the above-mentioned farm .... acres of cotton and produced .... bales of cotton, which was ginned at the gin operated by .... at ...., and/or sold to or through .... at .... I estimate that, assuming normal conditions, I may reasonably expect to harvest .... pounds of lint cotton per acre from this planted acreage in the fall of 1933.

3. This crop is subject to lien in favor of:

NAME	NATURE OF LIEN	ADDRESS

(After the name of the holder of the lien, insert nature of the lien, as landlord and/or mortgagee)

4. Consent in writing of the lien holders has been or will be obtained by me before any part of the cotton planted is taken out of production and/or before receipt by me of any benefit which may accrue to me hereunder.

5. If this offer is accepted I shall conform to such regulations as are or may be prescribed by the Secretary of Agriculture or authorized by him pertaining to the purposes of this offer.

6. I am* / am not indebted to the United States Government in a* / any sum secured by a lien on the 1933 cotton crop and/or on account of any past due obligations of any kind to the United States Government. If I am, then it is understood that such obligation may be offset against any cash benefit accruing to me hereunder as is required by law. Such debts are as follows (list):

7. I offer to the Secretary of Agriculture on behalf of the United States .... acres of cotton on the above-mentioned farm as indicated by "X" on the attached map of the farm, which is made a part of this contract, and agree to take out of production the crop of cotton now growing thereon in accordance with such regulations as are or may hereafter be prescribed.

(a) I agree that the number of acres offered, and, correspondingly, the total compensation payable under paragraph 11, may be reduced by the Secretary at the time the offer is accepted.

* Strike out words not applicable.

610—884 O

2

8. The cotton crop on the offered acreage {is / is not*} fertilized, and represents a fair average of my crop and in my judgment, will, under normal weather and insect conditions, give to me a net yield of .... pounds of lint cotton per acre.

I agree not to use more fertilizer per acre on my remaining cotton acreage than was used in 1932 unless such application has been made prior to the signing of this offer.

9. To the end that the Secretary of Agriculture may have ample opportunity for investigations, and in consideration of the making of such investigations this offer shall be irrevocable until July 31, 1933, and the Secretary shall have the privilege of accepting same by depositing in the mail written notice of acceptance addressed to me at the address herein given.

10. The Secretary shall have the right, through any person designated under his authority, of ingress and egress to and from the land embraced in this offer, and may at his discretion take such action as he may see fit to take out of cotton production the acreage covered by this offer by any means at his disposal, I hereby agreeing that no person, acting upon the authority of the Secretary of Agriculture, shall be liable in any way for any damage which may result from any reasonable action taken by such person to take out of cotton production any of the acreage covered by this offer in the event I fail to perform the requirements of any regulation with reference thereto after this offer shall have been accepted even though I may thereafter refuse to accept any benefit hereby provided for.

11. As a consideration moving to me for the taking out of production of this land, I elect to take—

(1) A cash payment of $........................ per acre, making a total of $.................... for the .... acres embraced in this offer based upon estimated production of not less than .... pounds of lint cotton per acre; *or*

(2) A cash payment of $............................ per acre, making a total of $.................... for the .... acres embraced in this offer based upon the estimated production of not less than .... pounds of lint cotton per acre, together with an option, a copy of which is at present on file in the office of the Secretary of Agriculture, and a copy of which the undersigned has received prior to executing this agreement (the terms and conditions of such option being therein set forth), to purchase from the Secretary of Agriculture at 6 cents per pound, basis middling ⅞-inch staple cotton as quoted on the New York Cotton Exchange, said option being for .... bales of cotton, said number of bales representing the quantity of cotton which I estimate is taken out of production by virtue of this contract.

(Strike out the form of compensation not elected by the grower)

Payment (and delivery of the option contract if compensation (2) is elected) is to be made as soon after the acceptance of this contract by the Secretary as I may furnish proof of compliance with the provisions of this contract. Such proof must be submitted on or before December 1, 1933. In addition to the cash and option contract considerations, I reserve the right to plant the acreage taken out of cotton production, providing the same is planted solely for the production of soil-improvement or erosion-preventing crops or food or feed crops for home use.

12 I warrant the correctness of all matters and facts stated as such in this offer and obligate myself to the performance of all obligations imposed hereby or by such regulations. In witness whereof I have executed this instrument on this .... day of ...., 1933.

This offer when accepted by the Secretary of Agriculture shall constitute a contract between me and the United States.

....
(Signature)

The undersigned lien-holder(s) and/or others having an interest in the 1933 cotton crop now being grown on the lands embraced in the foregoing offer, hereby consent(s) to the making of this offer and to the performance of the conditions thereof when and if accepted, and agree(s) that the Secretary or his agents may deal with the producer as if he were the sole party having interest in said cotton land or crop.

Witness:	Interested party:
.... (Signature)	.... (Signature)
.... (Signature)	.... (Signature)
.... (Signature)	.... (Signature)

The undersigned authority has inspected the land embraced in the foregoing offer, concurs in the estimate of probable production thereon, certifies after investigation that the facts stated therein are to the best of his knowledge and belief correct, and witnesses the signature of the producer.

Dated this .... day of ...., 1933.

Planting date	Stand	Weevil infestation	Condition of field

....
(Signature, member local committee)

Acceptance of the foregoing offer is recommended by the undersigned committee, this .... day of ...., 1933.

....

....

....

Accepted by and for the Secretary of Agriculture this .... day of July 1933.

HENRY A. WALLACE,
Secretary of Agriculture,
or and on behalf of the United States.

By ....

*Strike out the words not applicable.

16—864 O

SKETCH MAP OF FARM

Total size of farm, ... acres.

Total cultivated crops, ... acres.

(Indicate acreage in each field planted to cotton. Indicate by "X" the fields offered to be taken out of cotton production.)

U. S. GOVERNMENT PRINTING OFFICE [illegible] 010—284 O

Exhibit 20

Form No. Cotton 1
United States Department of Agriculture
Agricultural Adjustment Administration
Production Division
November 29, 1933

State .... County or Parish[1] .... Serial No. ....

1934 AND 1935 COTTON ACREAGE REDUCTION CONTRACT[2]

Pursuant to the Agricultural Adjustment Act, approved May 12, 1933, as amended

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The undersigned, ...
(Type or print name above—same as signature)

post-office address ....
(Rural route number) (Box number) (Post office) (State)

hereinafter referred to as the "producer" {owning / renting for cash / managing as share-tenant[3]}[1] a farm consisting of .... acres,

situated .... from ....
(Miles and direction) (Town)

on .... Road, in .... {Township / Beat / Ward}[1] of

.... {County, / Parish,}[1] State of ....

OR

described as the .... of section ....

township ...., range .... from ....
(Miles and direction) (Town)

in .... County, State of ...., (hereinafter referred to as "this farm"), hereby offer(s) to enter into a contract with the Secretary of Agriculture (hereinafter referred to as the "Secretary") upon the terms and conditions hereinafter set forth and subject to such regulations or administrative rulings (which shall be part of the terms and conditions of this contract) as have been heretofore or may hereafter be prescribed by the Secretary relating to 1934–35 Cotton Acreage Reduction Contracts. This offer shall become a binding contract when accepted by the Secretary.

I. PERFORMANCE BY PRODUCER

The Producer shall:

1. Reduce the acreage to be planted to cotton in 1934 on this farm by not less than thirty-five percent (35%) and not more than forty-five percent (45%) below the base acreage[4] (provided, however, that the total reduction of all producers offering to enter into 1934 and 1935 Cotton Acreage Reduction Contracts within the above-named county or parish shall not exceed forty percent (40%) of the total base acreages of such producers), and hereby rents .... acres of cotton land equal to ...... percent of the base acreage to the Secretary for the year 1934. Reduce the acreage planted to cotton in 1935 on this farm by an amount not to exceed twenty-five percent (25%) below the base acreage, said amount, if any, to be prescribed by the Secretary and said number of acres is hereby rented to the Secretary for the year 1935. The acres hereby rented to the Secretary are referred to hereinafter as "the rented acres." All undertakings herein of the producer are covenants which shall run with the land and shall bind all future purchasers, lessees, tenants, and encumbrancers of this farm or any part thereof. The rented acres and this farm shall be posted in such manner as the Secretary or his authorized agent may direct. This contract shall apply only for 1934 unless the Secretary shall, not later than December 1, 1934, proclaim his purpose of continuing the Cotton Acreage Reduction Plan for 1935. This proclamation shall state the percentage of reduction which will be required hereunder for 1935. The Secretary shall not be required to give any notice to the producer other than public proclamation, which proclamation shall be given to the general press, and copies mailed to each county committee.
2. Not grow cotton during 1934 and 1935 on land owned, operated, or controlled by him unless such land is covered by a 1934 and 1935 Cotton Acreage Reduction Contract, except as provided in regulations or administrative rulings.
3. Not include in the rented acres waste, gullied, or eroded land. The rented acres shall be tillable land suited to the growing of cotton and shall represent in productivity a fair average of the cotton land on this farm.
4. Not increase on this farm in 1934 above 1932[5] or 1933[5]: (a) The total acreage planted to crops, including the rented acres; (b) The acreage planted to each crop for sale, designated in the act as a basic commodity, except as may be permitted under the contract between the producer and the Secretary; (c) The number and kind of livestock designated as a basic commodity in the act (or a product of which is designated) kept for sale (or the sale of a product thereof).
5. Use the rented acres only for: Soil-improving crops; erosion-preventing crops; food crops for consumption by the producer on this farm; feed crops for the production of livestock or livestock products for consumption or use by the producer on this farm; or fallowing; or such other uses as may be permitted by the Secretary or his authorized agent.
6. Permit access by any authorized agent of the Secretary to this farm and to any records, regardless of where located, pertaining to the production and/or sale of cotton on or from this farm and expressly waives any right to have such records kept confidential.
7. Endeavor in good faith to bring about the reduction of acreage contemplated in this contract in such a manner as to cause the least possible amount of labor, economic and social disturbance, and to this end, insofar as possible, he shall effect the acreage reduction as nearly ratably as practicable among tenants on this farm; shall, insofar as possible, maintain on this farm the normal number

[1] Strike out word or words not applicable. If no printed word is applicable, write in appropriate word.
[2] **Members of, or Delegates to, Congress cannot participate in the benefits of such contracts because of the provisions of title 18, section 204, and title 41, section 22 of the United States Code.**
[3] Managing share-tenants, as defined in note 7, page 3, may join with the owners in signing contracts as provided by paragraph 12.
[4] The base acreage shall be that figure, expressed in acres, which results from dividing the total number of acres planted to cotton on this farm during the years 1928–32, inclusive, by the number of years in the period 1928–32, inclusive, in which cotton was planted on this farm.
[5] Indicated in table 1.

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of tenants and other employees; shall permit all tenants to continue in the occupancy of their houses on this farm, rent free, for the years 1934 and 1935, respectively (unless any such tenant shall so conduct himself as to become a nuisance or a menace to the welfare of the producer); during such years shall afford such tenants or employees, without cost, access for fuel to such woods land belonging to this farm as he may designate; shall permit such tenants the use of an adequate portion of the rented acres to grow food and feed crops for home consumption and for pasturage for domestically used livestock; and for such use of the rented acres shall permit the reasonable use of work animals and equipment in exchange for labor.

8. Not sell, transfer, or assign, in whole or in part, this contract, or his right to or claim for payments under this contract, and shall not execute any power of attorney to collect such payments and any sale, or assignment, order or power of attorney shall be null and void, except that the producer may pledge or hypothecate any rental payments due to him under this contract for the purpose of obtaining funds for carrying on the current operation of this farm and such pledge or hypothecation shall operate to establish an interest or right on the part of the pledgee in and to said rental payments as against any other person or persons, but the pledge or hypothecation thereof shall not alter the provisions of paragraph 13 that all rental checks drawn in compliance with this contract shall be made payable to the payee therein designated. If the rentals herein provided for shall have been pledged by the producer and the payee herein designated notified of this pledge, then and in that event, such payee whether he be the producer or another, shall receive rental payments hereunder in trust for the benefit of the pledgee and shall be responsible to the pledgee therefor.

9. Comply with the terms hereof and of all regulations or administrative rulings which have been or may hereafter be prescribed by the Secretary with reference to 1934 and 1935 Cotton Acreage Reduction Contracts, and any violation of said terms, regulations, rulings, or any material misstatement herein or in any information furnished by the producer shall be grounds for the cancelation of this contract by the Secretary. In the event of such cancelation, the producer shall repay to the Secretary any sums theretofore paid hereunder to the producer. The determination of the Secretary that any such violation or misstatement has occurred shall be final and conclusive.

II. PERFORMANCE BY SECRETARY

The Secretary shall:

10. (a) As consideration for the performance by the producer of the terms and conditions of this contract, make the following payments for the year 1934, after presentation of such proof of performance as may be required:

Rental payments on each of the acres rented to the Secretary for 1934 of three and one half cents (3½¢) per pound on the average yield of lint cotton per acre for this farm in the years 1928–32, inclusive, with a maximum rental of eighteen dollars ($18.00) per acre shall be made to the producer (subject to the provisions of paragraph 13, if said paragraph is applicable) in two equal installments, the first of which shall be made between March 1 and April 30, 1934, approximately, and the second of which shall be made between August 1 and September 30, 1934, approximately.

Parity payment upon the farm allotment [6] (which payment will not be less than one cent (1¢) per pound on said farm allotment) for this farm shall be made to the producer between December 1, 1934, and January 1, 1935, approximately.

The total amount of said payment, or, if paragraph 12 is applicable, that portion of said payment therein provided for as the producer's share, shall be paid to the producer. In the event that cotton is produced on this farm in 1934, by share tenants and/or share croppers, the producer agrees that he will *pay* to each such share tenant and/or share cropper upon such tenant's or cropper's share of the cotton produced by him on this farm in 1934, a sum computed at the rate of such parity payment as is made to the producer. This provision of this contract shall not be construed as establishing a right in any share tenant and/or share cropper as against the Secretary, but is intended to obligate the producer to *pay* to the share tenants or share croppers proportionate benefit of the "parity payment" which may be made by the Secretary to the producer pursuant to this contract. The Secretary may at any time after 30 days from the date of such parity payment to the producer require the producer to present a receipt from each share tenant or share cropper—or, in the event of his prior death, from his next of kin—witnessed by the nearest postmaster or any officer of the county in which the cotton was produced, showing that such tenant or cropper has received from the producer his proportionate share of the parity payment as above set forth, or its equivalent value in supplies or other benefits; or, in lieu of such receipt, the producer shall present satisfactory evidence that at the time of the receipt by the producer of the parity payment, such tenant or cropper had abandoned this farm and that the producer has made diligent effort to ascertain the address of such tenant or cropper and has been unable so to do. In the event the producer shall fail or refuse to make payment to any share tenant or share cropper of his proportionate share of the parity payment as above set forth, or to produce the evidence above indicated, the producer hereby agrees to forfeit and pay to the Secretary twice the amount of such share of the parity payment, which sum, when collected from the producer, shall be paid to such share tenant or share cropper as the case may be.

(b) In the event that he, in accordance with paragraph 1 hereof, prescribes any reduction in the acreage to be planted to cotton on this farm in 1935, make payments for the year 1935 similar to those described above, after presentation of such proof of performance as may be required.

III. BASIS FOR DETERMINING REDUCTION IN PRODUCTION, AND RENTAL AND PARITY PAYMENTS

11. As a basis for determining the rented acres, the farm allotment for this farm, and the amount of the payments due hereunder, the producer makes the following statements and representations:

TABLE 1.—CROP ACREAGES, 1932 and 1933

1. Number of bales of cotton produced on this farm in 1933 (count round bales as half bales) .... bales.

	Acres			Acres			Acres	
	1932	1933		1932	1933		1932	1933
2. Total acres of all land in this farm			8. Wheat for grain			14. Cowpeas grown alone		
3. Total acres of crop land			9. Oats for grain (Include also oats cut to be fed unthreshed)			15. Soybeans grown alone		
4. Cotton planted			10. Grain Sorghums (kafir, milo, etc.)			16. Peanuts grown alone		
5. Cotton harvested			11. Sugar Cane and Sweet Sorghums (cane) for syrup			17. Crops cut for hay not already listed		
6. Corn			12. Sweet Potatoes			18. All other crops not listed		
7. Tobacco			13. Irish Potatoes			19. Crop land not planted in 1933		

[6] The "farm allotment" is forty percent (40%) of that figure, expressed in pounds, which results from multiplying the annual average number of acres planted in cotton on this farm during the years 1928-32, inclusive, by the average yield (expressed in pounds) per acre during said years.

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TABLE 2.—COTTON ACREAGE AND PRODUCTION

For the land now in this farm, including shares of landlord and tenant

The county committee shall, if necessary, correct the producer's acreage and production figures. The county committee shall also adjust such corrected figures on a pro rata basis, if such adjustment is necessary, to make the total acreage and production figures for the above-named county or parish conform to the figures prescribed by the Secretary for such county or parish. Unless this is done the Secretary will not accept the offer of the producer.

(This application cannot be accepted unless the information called for in the spaces below is fully set forth for the base period years.)

	(A) Bales produced (Number)[1]	(B) Average weight of lint per bale[2] (Pounds)	(C) Total lint produced[3] (Pounds)	(D) Acreage planted to cotton (Acres)	(E) Yield of lint per acre[4] (Pounds)	For Use of County Committee (Producer is not to fill in these spaces) (F) Total production (Pounds)	(G) Total acreage (Acres)	(H) Yield per acre (Pounds)
1932								
1931								
1930								
1929								
1928								
Totals								
Averages								
Adjusted averages	X X X	X X X	X X X	X X X	X X X			

[1] Count round bales as half bales.
[2] In case of square bales subtract 22 pounds (for bagging and ties) from average gross weight of bale. Subtract 3 pounds from average gross weight of round bales.
[3] Number of bales (column A) multiplied by weight of lint per bale (column B).
[4] Total pounds of lint produced (column C) divided by acres planted (column D).

IV. PARTICIPATION OF OWNER AND MANAGING SHARE-TENANT

(If paragraph 12 does not apply it should be stricken out)

12. In the event that this farm is operated by a managing share-tenant,[7] said tenant shall sign this contract with the owner or his legally authorized agent who must submit his authority to act, and each installment of the rental payments due under this contract shall be divided as follows:

Fifty percent (50%) to .... (Name), ... (Address), as owner.

Fifty percent (50%) to .... (Name), ... (Address) {producer who is a managing share-tenant,

and the parity payments due under this contract shall be divided according to their respective interests in the crop:

.... percent to .... (Name), ... (Address), as owner,

.... percent to .... (Name), ... (Address) {producer who is a managing share-tenant,

and separate checks shall be issued to the owner and, subject to paragraph 10, to the producer.

13. All rental payments due under this contract, except as provided in paragraph 12, shall be paid by check drawn payable to:

.... (Name), ... (Address)

Witness: .... (Signature) .... (Signature), as producer.

Date, ..., 193

(The following form of signature is to be used where paragraph 12 applies)

Witness: .... (Signature) .... (Signature), as owner.

Witness: .... (Signature) .... (Signature) {producer who is a managing share-tenant.

Date, ..., 193

[7] A managing share-tenant is a share-tenant who furnishes the work-stock, equipment, and labor used in the production of cotton and who manages the operation of this farm.

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V. COMMUNITY COMMITTEE CERTIFICATION OF CONTRACT

WE HEREBY CERTIFY that one or more of us is/are personally familiar with the farm covered by this contract and that the statements of the producer contained herein {are / are not} [a] correct to the best of our knowledge and belief.

If not correct, indicate in what way or ways ....

............, 193
(Date)

(Signed)............

....

....
Community Committee.

VI. COUNTY COMMITTEE CERTIFICATION OF CONTRACT

WE HEREBY CERTIFY that we have considered the above contract and the report of certification of the community committee and recommend that the Secretary of Agriculture enter into this 1934 and 1935 Cotton Acreage Reduction Contract with the producer on the basis of such facts.

............, 193
(Date)

(Signed)............

APPROVED:

....

....
County Agent.

....
County Committee.

VII. ACCEPTANCE BY SECRETARY

(This contract will not be accepted by the Secretary unless by January 31, 1934, a number of acres of cotton land have been offered to him for rentrl under similar contracts sufficient in his opinion to make the Cotton Acreage Reduction Plan for 1934 and 1935 feasible.)

In consideration of and in reliance upon the representations and agreements above set forth, this contract is hereby accepted.

HENRY A. WALLACE,
Secretary of Agriculture.
(For and on behalf of the United States)

By ....

VIII. SUMMARY REPORT OF COUNTY COMMITTEE

(*a*) Adjusted average production of lint cotton [Column F, Table 2]............ .... pounds.

(*b*) Base acreage—Adjusted average acreage planted to cotton during period 1928–32 [Column G, Table 2] .... acres.

(c) Adjusted average yield of lint cotton per acre, 1928–32 [Column H, Table 2]............ .... pounds.

(*d*) Rented acres, 1934 [which are .... percent of Item (*b*)]............ .... acres.

(*e*) Rental per acre [Item (c) times 3½¢]............ $............

(*f*) Farm allotment [40 percent of Item (*a*)]............ .... pounds.

(*g*) Acres which may be planted to cotton in 1934 [Item (*b*) minus Item (*d*)]............ .... acres.

Certificate of Administrative Officer	Certificate of Comptroller	First payment made
Administratively approved for first payment in the amount of $............	Audited and approved for first payment in the amount of $............ JOHN B. PAYNE, *Comptroller*.	by check dated............, 1934.
		Check numbers .... *Amounts* $............
.... *Administrative Officer, Payment Unit, Cotton Section, Agricultural Adjustment Administration.*	By............ *Auditor.*	.... $............
............, 1934 (Date)	............, 1934 (Date)	Total...... $............ Drawn on the Treasurer of the United States in favor of payee or payees named above.

[a] Strike out word or words not applicable.

(Any intentional misrepresentation of fact made in this contract for the purpose of defrauding the United States will be subject to the criminal provisions of the United States Code.)

U. S. GOVERNMENT PRINTING OFFICE 16—1391

EXHIBIT 21

W-1

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

State .... County .... Serial No. ....

APPLICATION FOR WHEAT ALLOTMENT CONTRACT

Pursuant to the Agricultural Adjustment Act, approved May 12, 1933, as amended

The Secretary of Agriculture, in accordance with the Agricultural Adjustment Act (hereinafter referred to as the "Act"), proposes to make contracts providing for certain payments (hereinafter defined and referred to as "adjustment payments") to wheat-producing farmers, for the crop years of 1933, 1934, and 1935, who shall agree to make certain reductions in their wheat acreage as set forth herein. Such reductions are for the purpose of furthering the plan of establishing and maintaining a balance between the production and consumption of wheat and the marketing conditions therefor so that the purchasing power of wheat with respect to articles that farmers buy shall be restored to the level of August 1909–July 1914. Farmers who have seeded land to wheat during each or any of the base period years are eligible to make applications to enter into such contracts, with the exception that by reason of prohibitions expressed in title 18, section 204, and title 41, section 22 of the United States Code, no Member of or Delegate to Congress shall be permitted to participate in the benefits of such contracts.

The undersigned (Name and address to be typed or printed)

owner(s) or landlord(s) [1] ....
(First name) (Middle initial) (Last name)

....
(First name) (Middle initial) (Last name)

post-office address(es) ....
(Rural route no.) (Box no.) (Post office) (State)

....
(Rural route no.) (Box no.) (Post office) (State)

tenant ....
(First name) (Middle initial) (Last name)

post-office address ....
(Rural route no.) (Box no.) (Post office) (State)

hereinafter (whether one or more persons) referred to as "the producer" who in the period of production and harvesting of the 1933 wheat crop operated a farm known as the .... farm, consisting of .... acres, situated .... (Miles and direction) from .... (Town) on .... Road, in .... Township, of .... County, State of ....

—OR—

described as the .... of section .... township ...., range ...., ... (Miles and direction) from .... (Town) in .... County, State of ...., hereby offer(s) to enter into a contract with the Secretary of Agriculture (hereinafter referred to as "the Secretary") for the purpose of reducing the acreage in wheat on the farm mentioned above (hereinafter referred to as "this farm") for the crop years 1934 and 1935 by an amount to be prescribed by the Secretary.

Some of the more important terms used in this application and in the contract which will be entered into if this application is favorably acted upon are defined as follows:

A "crop year" is a period in which a wheat crop is both seeded and harvested, and is designated by that calendar year in which the crop is harvested.

The "average annual acreage" is that annual average (in acres) of the land now in this farm seeded to wheat in the period of crop years (not to exceed five) up to and including 1932, determined by the County Allotment Committee for the county or for this farm, for the purpose of arriving at a representative average acreage and production for this farm, as a basis for determining the farm allotment.

The "contracted acreage" is that number of acres which the producer agrees to take out or keep out of wheat production.

[1] Strike out word which does not apply. If none of the words given is applicable substitute an appropriate word.

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The "farm allotment" is that number of bushels of wheat upon which adjustment payments may be made to the producer and is to be determined by the County Allotment Committee on the basis of the average annual production in the base period for this farm as compared with the average annual production in or for the county in the base period.

The "base period" is that consecutive series of crop years prior to and including 1932, not to exceed five, from which by a study of the wheat acreage and production on the land now in this farm a representative average acreage and production can be obtained for the purpose of determining the farm allotment. The base period shall be determined and fixed in a manner which will be explained to the producer by the County Allotment Committee and the base period for this farm will be inserted in this application by that Committee.

The "adjustment payment" is that amount which added to the current average farm price of wheat per bushel (as determined by the Secretary of Agriculture for each crop year) will tend to increase the purchasing power of the producer's farm allotment to that level which wheat had on the average throughout the United States, in terms of commodities which farmers buy, in the period August 1909–July 1914.

The "Wheat Production Control Association" is an organization (formed pursuant to the regulations) of the wheat producers of the county who have signed wheat-allotment contracts and who have associated themselves together for the purpose of cooperating with the Secretary of Agriculture and with the Agricultural Adjustment Administration in making effective the provisions of the Agricultural Adjustment Act.

The "County Allotment Committee" is a committee composed of three members of the county board of directors of the Wheat Production Control Association in the county elected by the board. One of the three members must be the president of the association.

The "wheat parity price" for any stated period is that average farm price, for that period, of wheat per bushel throughout the United States which is equal in purchasing power, in terms of commodities which farmers buy, to that purchasing power which a bushel of wheat had on the average throughout the United States in the period August 1909–July 1914, and shall be determined by the Secretary.

The "adjusted average annual acreage" is an adjustment of the producer's report of his average annual acreage, such adjustment to be made in the manner provided in the regulations.

The "regulations" are regulations heretofore or hereafter prescribed by the Secretary applicable to the subject matter of this application and of the contract provided for herein.

Some of the more important clauses of such contract are summarized as follows:

(1) In no event is the amount of acreage reduction to be prescribed by the Secretary for either of the crop years 1934 or 1935 to be greater than 20 percent of the average annual acreage seeded to wheat on this farm.

(2) As a consideration for the prescribed reduction in acreage for the crop years 1934 and 1935, which shall be the amount to be proclaimed by the Secretary prior to the beginning of each respective marketing year, there shall be made to the producer an adjustment payment in two parts in respect to the wheat crop for the crop year 1933 as computed on the basis of the farm allotment. Such total adjustment payment shall be in an amount not less than 28 cents per bushel of the farm allotment, subject to a deduction for the producer's pro rata share of the administrative expenses in his county. If the current average farm price of wheat per bushel (determined in accordance with the regulations) with respect to the crop year 1934 is below the wheat parity price, then there shall be made to the producer an adjustment payment in respect to the wheat crop for the crop year 1934. If such current average farm price for the crop year 1935 is below the wheat parity price, then there shall be made to the producer an adjustment payment in respect to the wheat crop for the crop year 1935.

(3) The full adjustment payment for the crop year 1933 will be made only if the producer for such crop year seeded an acreage of wheat on the land now in this farm sufficient, at the average yield for the base period, to produce the farm allotment, unless the failure to seed such an acreage is clearly shown to have been due to the producer's regular rotation practice. If for such crop year the seeded wheat acreage on this farm was less than such as would have produced, at the average yield for the base period, the farm allotment and if the failure to seed such an acreage was not due to the producer's regular rotation practice, then the adjustment payment for such crop year will be made only on the amount of wheat which, at the average yield for the base period, would have been produced on the seeded acreage. Such amount will be determined by the County Allotment Committee.

As a basis for determining the farm allotment, the annual average acreage, and the amount of the adjustment payments, there are attached hereto statements by the producer of the acreage and production during the base period for the land now in this farm, and the producer is also to furnish to the County Allotment Committee a statement showing the disposal of the wheat produced on this farm during the base period, evidenced by certificates of purchasers or other evidences of production and sale. All statements made by the producer in this application are matters of public interest and concern and the producer agrees that they may be published in one or more local newspapers.

The producer agrees that all records of past wheat acreages, production, and sales for this farm for the base period, whether in the hands of the producer or of any other person or agency, shall, so far as the producer is able to do so, be made available for inspection by an authorized agent of the Secretary, and the producer expressly waives any right to have such records kept confidential.

The producer agrees to submit any further evidence concerning this application which may be requested by the County Allotment Committee.

The producer hereby applies for membership in the Wheat Production Control Association in his county. When this application is hereinbelow certified by the County Allotment Committee and a wheat allotment contract is entered into between the Secretary and the producer, then under the terms of such contract

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the producer will be bound by the articles, bylaws, rules, and regulations of such association and will be bound to bear his pro rata share of the administration expenses of such Association.

This application and such contract, filed in the office of the Secretary of Agriculture, shall be subject to the regulations of the Secretary.

1933 crop acreage

Crop	Acres seeded or planted	Crop	Acres seeded or planted	Crop	Acres seeded or planted
Winter wheat (1)		Oats (5)		Cotton (9)	
Spring wheat (2)		Barley (6)		Potatoes (10)	
Durum (3)		Rye (7)		Acres in tame hay (11)	
Corn (4)		Tobacco (8)		Acres fallowed or idle (12)	

WHEAT acreage and production for the land now in this farm including shares of both owner or landowner and tenant

(This application cannot be accepted unless the information called for in the spaces below is fully set forth for the base period years)

Year	A. Acres seeded	B. Acres harvested	C. Total production, bushels	D. Adjusted production bushels [2]
1928 [1]				
1929 [1]				
1930				
1931				
1932				
Total				
Average				

[1] The years 1928 and 1929 are to be filled in only if the producer is eligible for a 4- or 5-year base period as above provided.

[2] Producer is not to fill in this column.

If this farm is operated by a tenant—

1. What was the share basis of the 1933 lease? owner or [4] landlord ________

   tenant [4] ________

2. When does the lease with the present tenant terminate? ________

If this farm is operated in any other manner than as set forth above, what was the basis of such operation?

____

The statements contained herein are true to the best of my (our) knowledge and belief and shall become a part of the wheat allotment contract which may be offered.

Witness: ________ (Signature) } owner(s) or [4] landlord(s)

________ (Signature) ________ (Signature)

Witness: ________, 1933. (Date)

________ (Signature) ________, tenant. (Signature)

________, 1933. (Date)

NOTE.—Only the signature of the tenant is necessary on the application where the owner or landlord or a duly authorized agent of the owner or landlord is not available for immediately obtaining his signature. But before a contract will be executed by the Secretary, a duplicate copy of the application must be signed by the owner or landlord or his duly authorized agent.

[4] Strike out word which does not apply. If none of the words given is applicable, substitute an appropriate word.

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(PRODUCER IS NOT TO WRITE ANYTHING BELOW THIS LINE)

COMMUNITY COMMITTEE CERTIFICATION OF APPLICATION

The documents listed below have been verified and are attached to the form of this application which is to be retained by the County Allotment Committee:[6]

☐ *1.* Sketch map of this farm.

☐ *2.* Statement of disposal of 1928, 1929, 1930, 1931, and 1932 wheat crops.

☐ *3.* Thresherman's certificates for 1928, 1929, 1930, 1931, and 1932 wheat crops.

☐ *4.* Certificates of purchase of wheat 1928, 1929, 1930, 1931, and 1932 crops.

We hereby certify that we are personally familiar with the farm covered by this application and that the statements in the application and in the above-listed documents as given, pertaining to the base period and the crop year 1933, are correct to the best of our knowledge and belief.

If not correct, indicate in what way or ways ....

....

.............................., 1933.
(Date)

Signed ....

....

....
(Community Committee)

COUNTY ALLOTMENT COMMITTEE CERTIFICATION OF APPLICATION

We hereby certify that we have considered the above application and the report of certification of the community committee and have determined for this farm the following:

1. Base period .... years.
2. Average annual acreage seeded to wheat (based on crop years 1928, 1929, 1930, 1931, and 1932[6]) .... acres.
3. Average annual production of wheat (based on crop years 1928, 1929, 1930, 1931, and 1932[6]) .... bushels.
4. Farm allotment .... bushels.
5. Division of adjustment payments, in accordance with present share lease (if any):

.... percent to .... (Name), ... (Address) as landlord[7]

.... percent to .... (Name), ... (Address) as tenant[7]

and recommend that the Secretary of Agriculture enter into a wheat allotment contract with the producer on the basis of such facts.

.............................., 1933.
(Date)

Signed ....

....

....
(County Allotment Committee)

Any intentional misrepresentation of fact made in this application for the purpose of defrauding the United States will be subject to the criminal provisions of the United States Code.

[5] Indicate by check in box the number of any document which has not been attached hereto and strike out years for which no documents are attached.
[6] Strike out years not applicable.
[7] Strike out word which does not apply. If none of the words given is applicable substitute an appropriate word.

U. S. GOVERNMENT PRINTING OFFICE 8—8323

EXHIBIT 22

W-3

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

State .... County .... Serial No. ....

WHEAT ALLOTMENT CONTRACT

Pursuant to the Agricultural Adjustment Act, approved May 12, 1933, as amended

(Name and address to be typed or printed)

The undersigned,

owner(s) or[1] landlord(s) ....
(First name) (Middle initial) (Last name)

....
(First name) (Middle initial) (Last name)

post-office address(es) ....
(Rural route no.) (Box no. (Post office) (State)

.... and
(Rural route no.) (Box no.) (Post office) (State)

tenant ....
(First name) (Middle initial) (Last name)

post-office address ....
(Rural route no.) (Box no.) (Post office) (State)

hereinafter (whether one or more persons) referred to as "the producer", who during the period of production and harvesting of the 1933 wheat crop operated a farm which is described in the application for wheat allotment contract heretofore executed by the producer and certified by the County Allotment Committee (hereinafter referred to as "the application"), hereby contract(s) with the Secretary of Agriculture, upon the terms and conditions hereinafter set forth and subject to the regulations (which shall be deemed to be part of the terms and conditions of this contract) heretofore or hereafter prescribed by the Secretary pursuant to the above Act.

For the purposes of this contract the terms "Secretary", "regulations", "Act", "average annual acreage", "base period", "farm allotment", "wheat parity price", "County Allotment Committee", "Wheat Production Control Association", and "crop year" shall have, respectively, the meanings assigned to them in the application.

Acceptance by the Secretary shall cause this instrument to become a binding contract between the producer and the Secretary.[2]

1. The acreage to be seeded to wheat for each of the crop years 1934 and 1935 on the above-mentioned farm (hereinafter referred to as "this farm") shall be reduced below the average annual acreage (as fixed in the application) by an amount to be prescribed by the Secretary, but in no event shall such amount of reduction to be prescribed by the Secretary exceed 20 percent of the average annual acreage.[3] Should an international agreement for the reduction of wheat acreage be entered into by the United States, then the acreage reduction specified in such international agreement shall be considered in determining (in such manner as the Secretary by the regulations shall prescribe) the reduction up to such 20 percent, to be thereafter prescribed for this farm. The land taken out or kept out of production pursuant to this contract for the crop year 1934 shall be referred to hereinafter as "the contracted acreage of 1934", and the land so taken out or kept out of production for the crop year 1935 shall be referred to hereinafter as "the contracted acreage of 1935."

In the event that no reduction is prescribed by the Secretary for the 1934 crop year and/or for the 1935 crop year, the acreage seeded to wheat on this farm for such year or years shall not exceed the average annual acreage.

2. There shall be seeded to wheat on this farm for each of the crop years 1934 and 1935 an acreage sufficient, at the average yield during the base period[3] (as fixed in the application), to produce the farm allotment[3] (as fixed in the application) for this farm, i.e., ... acres, which at the average yield for the base period will produce, ... bushels, which is the farm allotment for this farm.

3. On the acreage which under the terms of this contract may be seeded to wheat, the methods of production employed shall be such as conform to accepted practices for wheat growing in the locality.

4. The contracted acreage of 1934 and 1935 shall not include land which is waste, gullied, or eroded, and shall be the average of that on which wheat is ordinarily seeded on this farm

[1] Strike out word which does not apply. If none of the words given is applicable, substitute an appropriate word.
[2] By reason of the prohibitions contained in title 18, sec. 204, and title 41, sec. 22, of the United States Code no Member of or Delegate to Congress shall be admitted to any share or part of this contract or to any benefit to arise thereunder.
[3] The producer agrees that the base period, the average annual acreage, and the farm allotment are as fixed by the County Allotment Committee in the application, viz:

Base period: Years 19...... to 19...... inclusive. Average annual acreage: .... acres. Farm allotment: .... bushels.

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5. The contracted acreage of 1934 and 1935 shall be posted by the producer in such manner as the Secretary or his authorized agent may direct, or may be posted by an authorized agent of the Secretary.

6. The contracted acreage of 1934 and 1935 shall not be used for the production of any nationally produced agricultural product for sale, but may be used as follows: Summer fallowed; planted to soil-improving or erosion-preventing crops, or to food crops for home consumption on this farm, or to feed crops for the production of livestock (or livestock products) for home consumption or use on this farm.

7. In areas where commercial fertilizer is used, such fertilizer shall not be applied on that portion of this farm which under the terms of this contract may be seeded to wheat for the crop years 1934 and 1935 in an amount per acre in excess of the amount of commercial fertilizer used per acre in the base period on land seeded to wheat on this farm

8. If any farm other than the one covered by this contract is owned or operated by the producer in 1934 or 1935, such farm shall not be used for the purpose of increasing the wheat acreage thereon in any amount to offset the required reduction on this farm, and a breach of this condition shall be a ground for termination of this contract by the Secretary, and the discontinuance of any further payments hereunder.

9. All undertakings herein of the producer are covenants which shall run with the land and shall be fully obligatory upon all future purchasers, lessees, tenants, and encumbrancers of this farm or any part thereof. In the event that any portion of this farm is sold or otherwise disposed of, the Secretary or his authorized agent shall in writing determine an average annual acreage and a farm allotment for such portion and a new average annual acreage and farm allotment for the remainder of this farm. Such determination shall be final and conclusive. If requested by the Secretary or his authorized agent, the producer shall post on this farm in a conspicuous place, or permit an authorized agent of the Secretary so to post, a notice to be furnished by the Secretary or his authorized agent stating that this farm is subject to the terms of this contract and referring to the matters contained above in this paragraph. The producer shall notify all purchasers, lessees, tenants, or encumbrancers of this farm, or any part thereof, of such matters and shall immediately notify in writing the Secretary and the County Allotment Committee, giving full details, of any change in the legal relationship to this farm of any party herein described as the producer (whether owner, landlord, or tenant).

10. For the purposes of supervision and investigation of the performance by the producer of the terms hereof, the Secretary or his authorized agent shall at all reasonable times have access to this farm and the producer shall keep and make available from time to time for inspection by the Secretary or his authorized agent such records and information relating to this farm as may be requested by the Secretary or his authorized agent.

11. All records of past wheat acreages, production, and sales for this farm for the base period, whether in the hands of the producer or of any other person or agency, shall, so far as the producer is able to do so, be made available for inspection by an authorized agent of the Secretary, and the producer expressly waives any right to have such records kept confidential.

12. (*a*) If this farm is at any time during the existence of this contract operated by a tenant under a cash lease, he shall be considered the producer for the duration of such lease and he shall be entitled to adjustment payments with respect to each entire crop year if his lease exists during that portion of such crop year in which the wheat crop for such year was produced and harvested on this farm and if he is a party to this contract or becomes a party to this contract in the manner hereinafter provided in subparagraph (*f*) of this paragraph (12). The existence and duration of any such lease shall, for the purposes of this contract, be finally and conclusively determined by the County Allotment Committee.

(*b*) If this farm was operated by a share tenant during the period of the production and harvesting of the 1933 crop on this farm, such tenant shall receive his proportion of the adjustment payments for the crop year 1933 as set forth in the footnote hereto.[4]

(*c*) If this farm is operated by a share tenant during that portion of the crop year 1934 in which the wheat crop for such year is produced and harvested on this farm, such tenant shall receive that proportion of the adjustment payments for said entire crop year fixed in the footnote to subsection (*b*) of this paragraph 12 provided that this farm was, during the period of the production and harvesting of the 1933 crop, operated under a share lease, and in the event this farm was not so operated during such period said share tenant shall receive such proportion of the adjustment payments for the crop year 1934 as may be fixed by the County Allotment Committee, based upon the share lease or leases under which this farm was operated during the base period, and in the event that there was no share lease during the base period said share tenant shall receive such proportion of the adjustment payments for the crop year 1934 as may be agreed upon between him and his landlord and is certified to by the County Allotment Committee.

[4] The producer represents that the division of adjustment payments, in accordance with the present share lease, which expires ...., fixed in the application, is as follows:

.... percent to ______________________ (Name), ______________________ (Address), as landlord.

.... percent to ______________________ (Name), ______________________ (Address), as tenant.

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(*d*) If this farm is operated by a share tenant during that portion of the crop year 1935 in which the wheat crop for such year is produced and harvested on this farm, such tenant shall receive that proportion of the adjustment payments for said entire crop year fixed in the footnote to subsection (*b*) of this paragraph 12 provided that this farm was, during the period of the production and harvesting of the 1933 crop, operated under a share lease, and in the event this farm was not so operated during such period said share tenant shall receive such proportion of the adjustment payments for the crop year 1935 as may be fixed by the County Allotment Committee, based upon the share lease or leases under which this farm was operated during the base period, and in the event that there was no share lease during the base period said share tenant shall receive such proportion of the adjustment payments for the crop year 1935 as may be agreed upon between him and his landlord and is certified to by the County Allotment Committee.

(*e*) At any time a party hereto shall cease to have any legal relation to this farm, he shall thereupon cease to be a party hereto and (subject, however, to the provisions set forth in this paragraph (12)) his right to all adjustment payments thereafter shall cease.

(*f*) Any person who has not executed this contract, or any person who, having executed this contract, changes his legal relation to this farm, and who may under the terms of this paragraph be entitled to any adjustment payment, or part thereof, may, with the approval of the County Allotment Committee, become or remain, as the case may be, a party to this contract by executing a form therefor prescribed by the Secretary, and shall thereafter be entitled, as provided in said form, to adjustment payments, or parts thereof.

13. If the producer is indebted to the United States in any amount for obligations due at the time adjustment payments are to be made to the producer under this contract, it is understood that such payments may be applied to the reduction or full payment of such indebtedness, and the balance, if any, then paid to the producer.

14. There shall be deducted from the adjustment payments to be made under this contract a sum sufficient to defray the producer's pro rata share of the administrative costs of the Wheat Production Control Association in his county and the producer expressly authorizes the Secretary or the Secretary's authorized agent to make such deductions. Such pro rata share shall be computed on the basis of the number of bushels in the farm allotment.

15. The statements contained herein are true to the best of the knowledge and belief of the producer. The statements and agreements by the producer set forth in or attached to the application and any further statements called for herein shall be agreements, representations, and conditions upon which the Secretary will rely in entering into this contract and shall be continuing agreements, representations, and conditions which are by this paragraph incorporated into and made a part of this contract. If the Secretary determines (and his determination shall be final and bind the other parties hereto) that there has been a material misstatement in any of such statements or any noncompliance by the producer with any such agreements or conditions or with any term hereof or with any of the regulations, he may terminate this contract and thereafter no further payments shall be made hereunder, and any payments theretofore made shall be refunded to the Secretary by the producer and shall constitute, until so refunded, a lien on future wheat crops on this farm. In the event that any person described herein as the producer shall (except as may be provided by regulations) sell or trade in any flour obtained in exchange for or processed from wheat produced on this farm and in respect of which no processing tax has been paid, such person shall thereupon cease to be a party to this contract and shall not thereafter be entitled to any payments hereunder and shall refund to the Secretary any payments hereunder theretofore received by such person.

16. The producer will not sell or assign, in whole or in part, this contract or his right to or claim for adjustment payments under this contract, and will not execute any power of attorney to collect such adjustment payments or to order that any such payments be made. Any such sale, assignment, order, or power of attorney shall be null and void.

17. As consideration for the prescribed reduction for the crop years 1934 and 1935, there shall be made to the producer (subject to the terms of paragraph 12) an adjustment payment in two parts in respect of the 1933 wheat crop to be based upon the farm allotment for this farm. The first payment shall be in an amount equal to 20 cents per bushel of such allotment and shall be made on or after September 15, 1933. The second payment shall be in an amount equal to not less than 8 cents nor more than 10 cents per bushel of such allotment and shall be made not earlier than June 1, 1934, after presentation to the Secretary (in accordance with the regulations) of proof of compliance by the producer with the terms of this contract relating to wheat acreage reduction for 1934; provided, however, that the full adjustment payment for the crop year 1933 will be made only if the producer for such crop year seeded an acreage of wheat on the land now in this farm sufficient, at the average yield for the base period, to produce the farm allotment, unless the failure to seed such an acreage is clearly shown to have been due to the producer's regular rotation practice. If for such crop year the seeded wheat acreage on this farm was less than such as would have produced the farm allotment at the average yield for the base period and if the failure to seed such acreage was not due to the producer's regular rotation practice, then the adjustment payment for such crop year will be made only on the amount of wheat which, at the average yield for the base period, would have been produced on the seeded acreage, and such amount will be determined by the County Allotment Committee.

18. If the current average farm price of wheat per bushel (as determined in accordance with the regulations) with respect to the crop year 1934 is below the wheat parity price, there shall be made to the producer (subject to the terms of paragraph 12) an adjustment payment, in two installments, in respect to the wheat crop for the year 1934. Such total adjustment payment shall be in an amount determined and proclaimed

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by the Secretary prior to the beginning of the marketing year 1934. The adjustment payment for the crop year 1934 shall be such as will tend to give the producer the wheat parity price for his farm allotment. The first of the two installments of said adjustment payment shall be in an amount equal to approximately two-thirds of the total adjustment payment for the crop year 1934 and shall be made between July 1 and September 15, 1934; the second installment shall be made on presentation to the Secretary of proof of compliance (in the manner prescribed by the regulations) by the producer with the terms of this contract, but such payment shall not be made until a date after which wheat can no longer be seeded in the locality to produce a crop for the year 1935.

19. If the current average farm price of wheat per bushel (as determined in accordance with the regulations) with respect to the crop year 1935 is below the wheat parity price, there shall be made to the producer (subject to the terms of paragraph 12) an adjustment payment, in two installments, in respect to the wheat crop for the year 1935. Such total adjustment payment shall be in an amount determined and proclaimed by the Secretary prior to the beginning of the marketing year 1935. The adjustment payment for the crop year 1935 shall be such as will tend to give the producer the wheat parity price for his farm allotment. The first of the two installments of said adjustment payment shall be in an amount equal to approximately two-thirds of the total adjustment payment for the crop year 1935 and shall be made between July 1 and September 15, 1935; the second installment shall be made on presentation to the Secretary of proof of compliance (in the manner prescribed by the regulations) by the producer with the terms of this contract, but in any event such payment shall not be made earlier than November 1, 1935.

In witness whereof the undersigned $\left\{\begin{matrix}\text{has}\\\text{have}\end{matrix}\right\}$[5] executed this contract:

____________________, (Signature)
____________________, (Signature) } owner(s) or landlord(s)[5]

Witness: ____________________ (Signature)

________________, 1933 (Date)

____________________, tenant (Signature)

Witness: ____________________ (Signature)

________________, 1933 (Date)

AFFIRMATION

The above named ____________________, ____________________, and ____________________, being personally known to me, appeared before me and swore to the truth (to the best of $\left\{\begin{matrix}\text{his}\\\text{their}\end{matrix}\right\}$[5] knowledge and belief) of the statements contained in the above contract and in the application (together with its accompanying documents) this ____________ day of ____________, 1933.

____________________, *Member Community Committee*

(for ____________________ Community).

ACCEPTANCE BY SECRETARY

In consideration of and in reliance upon the representations and agreements above set forth or incorporated above in this contract, this contract is hereby accepted in accordance with the terms thereof, this ________ day of ____________ 1933.

HENRY A. WALLACE,
Secretary of Agriculture
(for and on behalf of the United States),

By ____________________

[5] Strike out word not applicable.

8—8333 U. S. GOVERNMENT PRINTING OFFICE

Exhibit 23

Form No. C.H.-8
United States Department of Agriculture
Agricultural Adjustment Administration
Production Division
December 1, 1933

CORN-HOG REDUCTION CONTRACT[1]

Stamp Contract Number Above

Pursuant to the Agricultural Adjustment Act, approved May 12, 1933, as amended

...., hereinafter referred to as "the producer",
(Type or print name on line above—same as signature)

post-office address, ..., ..., ..., ...
(Rural route number) (Box number) (Post office) (State)

{owning / renting for cash / renting on shares}[2] and operating in 1934 a farm known as the .... farm, consisting of

.... acres, situated .... from .... on
(Miles and direction) (Town)

.... Road, in .... Township of .... County,

State of ...., hereby offers to enter into a contract with the Secretary of Agriculture (hereinafter referred to as "the Secretary") upon the terms and conditions hereinafter set forth. Mailing of the Secretary's acceptance shall cause this offer to become a binding contract. The corn year and the hog year referred to herein as 1934 shall be the period December 1, 1933, to November 30, 1934, inclusive. The years 1932 and 1933 shall cover corresponding 12-month periods.

I. PERFORMANCE BY PRODUCER

The producer shall:

1. Reduce the acreage planted to field corn (hereinafter referred to as "corn") in 1934 on the farm described above (hereinafter referred to as "this farm") not less than 20 percent below the adjusted average acreage planted to corn for 1932 and 1933 on the land now in this farm (hereinafter referred to as the "1932–33 average corn acreage"). The producer may, in 1934, retire from corn production as many acres in excess of such 20 percent as he may desire, but corn reduction payment hereunder shall be made only on a number of acres retired from corn production pursuant to this contract not in excess of 30 percent of such 1932–33 average corn acreage, unless otherwise authorized by the Secretary. The acres on which corn reduction payment will be made (hereinafter referred to as the "contracted acres") shall be marked for identification as the Secretary may direct.

2. Reduce in 1934 the number of hog litters farrowed on this farm and farrowed by hogs owned by him not located on this farm (hereinafter referred to as "1934 litters") 25 percent below the adjusted annual average number of litters owned by him when farrowed in 1932 and 1933 (hereinafter referred to as "1932–33 litters"); and reduce the number of hogs produced for market from such 1934 litters 25 percent below the adjusted annual average number of hogs produced for market from such 1932–33 litters.

3. Not increase on this farm in 1934 above 1932 or 1933, whichever is higher: (*a*) The total acreage of crops planted for harvest, plus the contracted acres; (*b*) The acreage planted to each crop for sale, designated as a basic commodity in the Act; (*c*) The total acreage of feed crops other than corn and hay; (*d*) The number of any kind of livestock other than hogs designated as a basic commodity in the Act (or a product of which is so designated) kept on this farm for sale (or the sale of product thereof). And not increase the number of feeder pigs bought in 1934 above the adjusted average number for 1932 and 1933.

4. Not increase in 1934 the aggregate corn acreage on all other land owned, operated, or controlled by him which is not covered by a Corn-Hog Reduction Contract above the average acreage for such land for 1932 and 1933; and not have any vested or contingent interest in hogs located on land not owned or operated by him.

5. Use or permit to be used the contracted acres only as may be prescribed by administrative rulings. Unless otherwise prescribed, such acres shall not be used except for planting additional permanent pasture; for soil-improving and erosion-preventing crops not to be harvested; for resting or fallowing the land; for weed eradication; or for planting farm wood lots.

6. Permit entry by agents of Corn-Hog Control Associations and of the Secretary to this farm and to any land owned, operated, or controlled by him, and access to records, regardless of where located, pertaining to the production or sale by the producer of corn or hogs and other "basic" commodities, and to furnish location of all land upon which the producer raises corn or hogs, and the producer expressly waives any right to have such records kept confidential.

7. Not sell or assign, in whole or in part, this contract or his right to or claim for reduction payments under this contract, and not execute any power of attorney to collect such payments or to order that any such payments be made. Any such sale, assignment, order, or power of attorney shall be null and void.

8. Operate this farm throughout 1934, except as exempted by administrative ruling.

9. Conform to and abide by regulations and administrative rulings (which are and shall be a part of the terms of this offer and of this contract) heretofore or hereafter prescribed by the Secretary or his authorized agents or agencies relating to Corn-Hog Reduction Contracts.

II. PERFORMANCE BY SECRETARY

The Secretary shall:

10. Upon such proof of compliance with the terms of this contract as the Secretary may require, pay:

A. Corn Reduction Payment.—For each contracted acre, 30 cents per bushel of adjusted estimated yield of corn, to be paid as follows: The pro rata share of the administrative expenses of the Corn-Hog Control Association for the above-named county will be paid to the Association, and the remainder will be paid as indicated in part V hereof, in two installments: 15 cents per bushel as soon as practicable after this contract is accepted by the Secretary, and 15 cents per bushel, less pro rata share of expenses, on or after November 15, 1934.

[1] Members of, or Delegates to, Congress cannot participate in the benefits of these contracts because of the provisions of title 18, sec. 204, and title 41, sec. 22, of the United States Code.

[2] Strike out words not applicable.

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B. Hog Reduction Payment.—$5.00 per head on 75 percent of the adjusted annual average number of hogs produced for market from 1932–33 litters, to be paid as follows: The pro rata share of the administrative expenses of the Corn-Hog Control Association for the above-named county will be paid to the Association, and the remainder will be paid as indicated in part V hereof, in three installments: $2.00 per head as soon as practicable after this contract is accepted by the Secretary, $1.00 per head on or about November 15, 1934, and $2.00 per head on or about February 1, 1935, less pro rata share of expenses to be deducted from one or more of these payments. If the number of hogs from 1934 litters marketed before, and held for future marketing on January 1, 1935, is in excess of the number to which the producer has agreed to reduce, there may be deducted from such payment $20.00 per head on each or any of the hogs in excess of such number. In lieu of such deduction or any part thereof the Secretary may require a corresponding part of such excess to be disposed of as he may direct.

11. Without limitation of any right or remedy conferred by law or this contract, be entitled to terminate this contract if he determines (and his determination shall be final and bind the other parties hereto) that there has been a material misstatement in any of the statements made by the producer in this contract or in connection therewith, or any noncompliance by the producer with any term hereof or with any pertinent regulation or administrative ruling. Thereafter no further payments shall be made hereunder, and any payments theretofore made shall be refunded to the Secretary. To secure payment of such refund the Secretary shall have a lien, to the extent of their respective interests, on corn and on hogs now or in the future owned by each or any of the parties obligated to make such a refund.

III. BASIS FOR DETERMINING REDUCTIONS IN PRODUCTION, AND PAYMENTS

12. The producer represents:

TABLE I.—FARM ACREAGE

For corn give all acres *planted* in the respective years, for all other crops give acres *harvested*	Acres 1933 (A)	Acres 1932 (B)	1932–33 average (C)
1. Total acres all land in this farm			
2. All field corn			
3. Wheat for grain (winter, spring, durum)			
4. Oats for grain (include oats fed unthreshed)			
5. Barley and rye for grain (include hogging off)			
6. Grain sorghum (kafir, milo, etc.)			
7. Soybeans and cowpeas			
8. All tame hay (include alfalfa)			
9. Total acres of other crops, not listed above*			
10. Wild hay			
11. Idle crop land			
12. Land used for pasture only			
13. Land in woods, waste land not pastured			
14. Land in roads, lanes, buildings and feed lots			
15. Total (items 2 to 14, inclusive)			
16. Total crop acres (items 2 to 11, inclusive)			
17. Sown to winter wheat in fall			

Special conditions (double cropping, losses, etc.)

TABLE II.—CORN UTILIZATION

(Bushel=56 lb. shelled corn, 72 lb. ear corn)	1933		1932	
	Acres	*Bushels*	*Acres*	*Bushels*
1 Harvested for grain				
2 Hogged off				
3. Cut for silage or fed green		*Tons*		*Tons*

TABLE III.—HISTORY OF FIELDS DESIGNATED AS CONTRACTED ACRES

FIELD 1

Acres

Soil type

Year	Crop	Total production
1933		
1932		
1931		
1930		
1929		

FIELD 2

Acres

Soil type

Year	Crop	Total production
1933		
1932		
1931		
1930		
1929		

FIELD 3

Acres

Soil type

Year	Crop	Total production
1933		
1932		
1931		
1930		
1929		

* If this includes any cotton, tobacco, or rice list acres of same separately below on margin.

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TABLE IV.—CONTRACTED CORN ACRES AND PRODUCTION THEREON

	Producers figures (A)	County Committee [1] (B)	Adjusted [1] (C)
1. 1932–33 average corn acreage			
2. Number of contracted acres			
3. Percent of 1932–33 average corn acreage (item 2 ÷ item 1)			
4. Estimated yield of corn per acre of contracted acres ..... (bushels)			
5. Total production of contracted acres (item 2 × item 4) ... (bushels)			

[1] Not to be filled in by producer.

TABLE V.—1932–33 HOG PRODUCTION AND CONTRACTED REDUCTION FOR 1934

Special conditions bearing on any of items below:	Producers figures				County committee [1]			Adjusted [1]		
	1933		1932		1933	1932	Average	1933	1932	Average
	Spring *	Fall †	Spring *	Fall †	‡	‡	‡	‡	‡	‡
1. Litters owned by producer when farrowed										
2. Hogs raised from these litters—total										
(a) Already sold for slaughter										
(b) Already sold as stockers, feeders, or breeders										
(c) Already slaughtered for use on farm										
(d) To be slaughtered for use on farm			x x x	x x x		x x x			x x x	
(e) To be sold			x x x	x x x		x x x			x x x	
(f) Retained for breeding purposes										
3. Total of items 2 (a), 2 (b), 2 (e), 2 (f)										
4. Deduction for death losses (15 percent of 1933 fall pigs)	x x x		x x x	x x x		x x x			x x x	
5. Hogs produced for market (item 3 minus item 4)										
6. 1934 maximum production for market (75 percent of item 5)	x x x	x x x	x x x	x x x	x x x	x x x		x x x	x x x	
7. Number of feeder and stocker hogs purchased										
8. Number of such hogs (item 7) now on hand										

[1] Not to be filled in by producer * Spring farrow—Dec. 1 to June 1 † Fall farrow—June 1 to Dec. 1. ‡ Totals for the respective years.

Were hogs produced for market listed above produced *on this farm*: in 1932? .... in 1933? ....

IV. PARTICIPATION BY LANDLORD

(This section to be filled in if producer as tenant rents all or part of this farm on shares)

13. Under the 1934 lease of this farm the·
 (a) Cash rent paid is $..................., for: ....
 (b) Division of grain crops is..............................
 (c) Division of hog proceeds is..............................

14 The landlord agrees to be bound by all of the terms of this contract as if therein named as the producer, and without limitation of the foregoing the landlord agrees not to increase in 1934 the aggregate corn acreage on all other land owned, operated, or controlled by him in 1934 not covered by a Corn-Hog Reduction Contract, nor his production of hogs in 1934 not under such a contract, above the respective annual averages for 1932 and 1933; provided, however, the landlord shall not be responsible for hog production on this farm unless receiving part of the hog reduction payment hereunder, nor for the producer's production of corn or hogs on land in which the landlord has no interest

V. FIRST SIGNATURE BY PRODUCER (AND LANDLORD)

15. The undersigned represent that no change in the lease or tenure of this farm has been or will be made for 1934 to prevent tenants from obtaining in 1934 the share of the payments hereunder that they would receive if such payments were divided in proportion to the division of the corn crop and hogs on this farm in 1933 or to the division of the proceeds of such corn and hogs; and that the only changes in 1934 from the 1933 lease or tenure are as follows: ....

16. The statements contained herein are true to the best of the knowledge and belief of the undersigned, who represent that they include all owners (except where farm is rented for cash) of said farm and all lessees.

The undersigned by executing this contract applies for membership in the Corn-Hog Control Association for the county in which this farm is located.

If more than one person executes this contract as landlord or as producer it shall be construed so as to apply to each or any of such persons.

Any intentional misrepresentation of fact made in this contract for the purpose of defrauding the United States will be subject to the criminal provisions of the United States Code. 10—1404-

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Stamp Contract Number Above

V. FIRST SIGNATURE BY PRODUCER AND LANDLORD—Continued

Division of Payments Between Producer and Landlord

	Corn	Hogs
.... (Producer's signature) ...., ..., 193 (Witness to producer's signature) (Date)	..........%	..........%
.... (Landlord's signature) ...., ..., 193 (Witness to landlord's signature) (Date) .... (Landlord's signature) ...., ..., 193 (Witness to landlord's signature) (Date)	..........%	..........%

Landlord's address .... (Street or rural route and number), ... (City), ... (County), ... (State)

VI. COUNTY ALLOTMENT COMMITTEE CERTIFICATION

17. We hereby certify that we have considered the above contract, the certification of the Community Committee, and supporting evidence, and have finally determined for this contract the following:

A. CORN REDUCTION PAYMENT AND PRODUCTION:

1. Adjusted 1932–33 average corn acreage (item 1–c, table IV) ....acres.
2. Contracted acres (.......... percent of average corn acreage, item 1, above) ....acres.
3. Adjusted average yield of corn per acre of contracted acres (item 4–c, table IV) ....bushels.
4. Adjusted total production of corn on contracted acres in 1934 (item 2 × item 3 above) ....bushels.
5. Total corn acreage in 1934 on this farm is not to exceed ....acres.
6. Gross corn reduction payment (item 4 above × 30 cents) .... $..........

B. HOG REDUCTION PAYMENT AND PRODUCTION:

1. Adjusted 1932–33 litters (item 1, table V) ....litters.
2. Adjusted annual average number of hogs produced for market, 1932–33 (item 5 of table V) ....hogs.
3. 1934 maximum production for market (75 percent of item 2 above) from not to exceed .... litters.. ....hogs.
4. Gross hog reduction payment ($5 per head × item 3 above) .... $..........

We recommend that the Secretary of Agriculture enter into a Corn-Hog Reduction Contract with the producer on the basis of such facts.

Signed, ... Signed, ... Signed, ... (County Corn-Hog Allotment Committee)

........................, 193
(Date)

VII. ACCEPTANCE BY PRODUCER AND LANDLORD OF CORRECTED AND ADJUSTED FIGURES

18. The undersigned hereby accept corrections and adjustments of the corn acreage, yield and production, and of the hog litter and production figures, and of the payments, and of the installments in the foregoing contract.

.... (Witness to producer's signature) Producer, ... (Signature) ...., 193 (Date)

.... (Witness to landlord's signature) Landlord, ... (Signature) ...., 193 (Date)

.... (Witness to landlord's signature) Landlord, ... (Signature) ...., 193 (Date)

DO NOT WRITE IN SPACE BELOW

Certificate of Administrative Officer

Administratively approved for first installment as follows:

Corn payment........ $..........

Hog payment........ $..........

Total payment.... $..........

Date .... Sig. ....
Administrative Officer, Payment Unit, Corn-Hog Section.

Certificate of Comptroller

Audited and approved for first installment as follows:

Corn payment........ $..........

Hog payment........ $..........

Total payment.... $..........

John B. Payne, *Comptroller,*

By .... *Auditor.*

Date ....

Paid .... by:

Check No. .... $..........

Check No. .... $..........

Check No. .... $..........

Total.......... $..........

On Treasurer of the United States in favor of payee or payees named above.

U. S. GOVERNMENT PRINTING OFFICE: 1934 16—1404

Exhibit 24

Form T-30

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

County code ....

State .... County .... Serial number ....

FLUE-CURED TYPES 11, 12, 13, AND 14

TOBACCO PRODUCTION ADJUSTMENT CONTRACT

(Pursuant to the Agricultural Adjustment Act, approved May 12, 1933, as amended)

The Secretary of Agriculture in accordance with the act proposes to make cash payments to individual farmers who shall agree to make certain reductions in tobacco acreage and tobacco production as set forth herein. If tobacco, flue-cured types 11, 12, 13, and/or 14, was grown in any of the years 1931, 1932, or 1933 upon the land you are farming in 1934, you are eligible to make application for benefits under said act, with the exception that by reason of prohibitions expressed in title 18, section 204, and title 41, section 22, of the United States Code, no Member of or Delegate to Congress shall be permitted to participate in the benefits of such contracts.

The undersigned (name and address to be typed or printed)

Mr. / Mrs. / Miss[1] .... (First name) .... (Middle name) .... (Last name)

hereinafter referred to as "the producer", post-office address .... (R.F.D.) .... (Box number) .... (Post office)

.... (State), owning / renting[1] farm(s) containing .... acres,[2] of which .... acres[2] are cultivated,

(If more than one farm is covered by this contract do not fill in the following three lines; where such lines are not filled in the descriptions on attached Form T-32 shall be deemed to be incorporated herein as a part hereof.)

located .... (Miles and direction) .... from .... (Town)

on .... Road in .... township or district,[1]

of .... County, State of ...., hereby offers to enter into a contract with the Secretary of Agriculture, hereinafter referred to as "the Secretary", upon the terms and conditions hereinafter set forth and subject to such regulations and administrative rulings (which shall be deemed to be part of the terms and conditions of this contract) as have been heretofore or may hereafter be prescribed by the Secretary and by the Tobacco Section, Production Division of the Agricultural Adjustment Administration, respectively, relating to tobacco production adjustment contracts. Acceptance by the Secretary shall cause this offer to become a binding contract between the producer and the Secretary

I. PERFORMANCE BY PRODUCER

1. The term "tobacco" wherever used in this contract shall mean tobacco of the kind classified as types 11, 12, 13, and/or 14 in Service and Regulatory Announcement No. 118 of the Bureau of Agricultural Economics of the United States Department of Agriculture and collectively known as *flue-cured tobacco*.

2. (*a*) There shall be kept out of tobacco production in 1934 on the above-mentioned farm(s), hereinafter referred to as "this farm", thirty percent (30%) of the base tobacco acreage chosen for this farm in paragraph 3, and a number of acres equal to such thirty percent (30%) are hereby rented to the Secretary. The acres so rented to the Secretary are hereinafter referred to as the "rented acres." The acreage of tobacco planted on this farm in 1934 shall not exceed the remaining seventy percent (70%) of the base tobacco acreage and shall be hereinafter referred to as the "tobacco acreage allotment."

(*b*) The "initial production allotment" for this farm shall be seventy percent (70%) of the base tobacco production for this farm chosen in paragraph 3, and there shall not be marketed from this farm a quantity of tobacco harvested in 1934 exceeding said allotment, except as provided for in paragraph 4.

The producer represents that the tobacco acreage planted and the tobacco production on this farm for the years 1931, 1932, and 1933, were as follows:

Year	Tobacco Acreage Planted[2]	Tobacco Production[2]
	Acres	*Pounds*
1931		
1932		
1933		

In the event that the total acreage and/or production figures contained in offers certified to in the above-named county are found to be excessive in view of the figures prescribed for said county by the Secretary based upon the best available information, the producer agrees that such of the figures contained in this offer as are not supported by substantiating evidence acceptable to the Secretary or his authorized agent may be reduced pro rata along with similar figures in the other offers in said county so as to make the total figures certified to for said county conform to the figures prescribed by the Secretary, and agrees that if this offer is accepted by the Secretary with such reduction this offer will become a binding contract between the producer and the Secretary.

[1] Strike out words not applicable. [2] If more than one farm is covered by this contract insert totals from attached Form T-32. 10—1376

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3. The "base tobacco acreage" and the "base tobacco production" for this farm shall both be chosen by the producer from one of the following:[8]

(a) The average of the years 1931, 1932, and 1933.

(b) Eighty-five percent (85%) of the average of any 2 years in the period 1931 to 1933, inclusive.

(c) Eighty percent (80%) of the year 1933.

(d) Seventy percent (70%) of the year 1931 or the year 1932.

4. The initial production allotment as defined in paragraph 2(b) may be adjusted at the discretion of the Secretary, depending upon the prospective yield and demand conditions for the crop year, 1934, provided that in no case shall the adjusted production allotment be less than seventy percent (70%) of the base tobacco production. Announcement of production allotment adjustment shall be made not later than August 15, 1934. The production allotment adjustment, if and when announced, shall be uniform for all farms covered by tobacco production adjustment contracts. Nothing in this paragraph shall be construed to mean any change in the tobacco acreage allotment as provided for in paragraph 2(a).

5. In the event that the tobacco production in 1934 on this farm should exceed the adjusted production allotment, the producer shall dispose of the excess as the Secretary may direct.

6. The producer shall keep a *tobacco marketing card*, provided by the Secretary, showing the sales of tobacco grown on this farm in 1934, giving the date, the amount of tobacco sold, and the price received therefor. When the tobacco produced on this farm has been sold or otherwise disposed of, the producer shall sign said tobacco marketing card and acknowledge the same before a notary public as provided for thereon. When so acknowledged, the tobacco marketing card shall be delivered by the producer to his county tobacco committee.

7. The total acreage planted to crops to be harvested on this farm in 1934 plus the rented acres shall not be greater than the acreage so planted in 1932 or 1933. (This shall not affect the producer's right to harvest crops for home consumption from the rented acres as provided in the following paragraph.) The acreage planted for sale on this farm in 1934 to each crop designated in the act as a basic commodity, shall not be greater than the acreage so planted in 1932 or 1933, except as may be permitted under a contract between the producer and the Secretary. The number of any kind of livestock designated as a basic commodity in the act (or a product of which is so designated) kept on this farm for sale (or the sale of a product thereof) shall not be greater in 1934 than in 1932 or 1933.

8. The producer shall use the rented acres only as follows: All or any part may be left idle or planted to soil-improving or erosion-preventing crops or to forest trees or to pasture; one half may be planted to food crops for home consumption on this farm or to feed crops for livestock (or livestock products) for home consumption or use on this farm.

9. The rented acres must not include waste, gullied, or eroded land, but shall be tillable land suited to the growing of tobacco and fairly representative of the tobacco land on this farm. The rented acres shall be posted by the producer, or may be posted by an authorized agent of the Secretary, in such manner as the Secretary may direct.

10. Tobacco plants grown on this farm in 1934 shall not be sold or otherwise disposed of to any person not operating a farm subject to a tobacco production adjustment contract with the Secretary.

11. No tobacco producer not operating a farm subject to a tobacco production adjustment contract with the Secretary shall be allowed the use of the tobacco buildings of the producer for the curing, storing, or grading of tobacco.

12. In the event that all, or any part of, the tobacco on this farm was grown by share tenants and/or share croppers in 1933, the producer shall not reduce the number of such tenants and/or croppers so engaged in growing tobacco on this farm in 1934 below the number so engaged in 1933 because of the reduction in the tobacco acreage and tobacco production or because of other provisions in this contract.

13. If any farm other than the one covered by this contract, is owned or operated by the producer, such farm shall be covered by a like contract, if tobacco is grown thereon, and the provisions of paragraph 19(b) of this contract shall not apply. Any breach of any of the terms and conditions of such like contract shall be grounds for termination of this contract by the Secretary.

14. For the purpose of supervision and investigation of the performance by the producer of the terms hereof, the Secretary or his authorized agent shall at all reasonable times have access to this farm and the producer shall furnish to the Secretary or his authorized agent such information relating to this farm as may be requested by the Secretary or his authorized agent.

15. Subject to the exception hereinafter stated, it is agreed that the producer may not sell, transfer, or assign in whole or in part, this contract, or his right to or claim for payments under this contract and may not execute any power of attorney to collect such payments and, subject to the exception hereinafter stated, any such sale, assignment, order, or power of attorney shall be null and void.

The exception above referred to is that the producer may pledge or hypothecate any rental payments due to him under this contract for the purpose of obtaining funds for carrying on the current operation of this farm and such pledge or hypothecation shall operate to establish an interest or right on the part of the pledgee in and to said rental payments as against any other person or persons, but the pledge or hypothecation thereof shall not alter the provisions of paragraph 25 that all checks drawn in compliance with said paragraph shall be made payable to the payee designated in said paragraph. If the rental payments herein provided for shall have been pledged by the producer, and the payee designated in paragraph 25 notified of this pledge, then such payee, whether he be the producer or another, shall receive payments hereunder in trust for the benefit of the pledgee and shall be responsible to the pledgee therefor.

16. The statements contained herein are true to the best of the knowledge and belief of the producer. A material misstatement herein, or any noncompliance by the producer with any of the terms hereof, or with any regulations or administrative rulings which have been or may hereafter be issued with reference to tobacco production adjustment contracts, shall be grounds for a rescission by the Secretary. The determination of the Secretary that any such misstatement or noncompliance has occurred shall be final and conclusive. In the event of a rescission hereunder, the producer shall return to the Secretary any payments theretofore paid to the producer, together with all costs incident to the collection thereof.

17. All undertakings herein of the producer are covenants which shall run with the land and shall be fully obligatory upon all future purchasers, lessees, tenants, and encumbrancers of such land, or of any part thereof. In the event that any portion of this farm which is suited for the growing of tobacco is sold or otherwise disposed of, the Secretary or his authorized agent shall when notified in writing of such sale or disposition determine a base tobacco acreage, base tobacco production, tobacco acreage allotment, and production allotment for such portion and shall also determine a base tobacco acreage, base tobacco production, tobacco acreage

[8] Strike out the three subsections not chosen.

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allotment, and production allotment for the remainder of this farm and payments due hereunder thereafter shall be based upon such determinations. If requested by the Secretary or his authorized agent, the producer shall post on this farm in a conspicuous place, or permit an authorized agent of the Secretary so to post, a notice to be furnished by the Secretary, or his authorized agent, stating, that this farm is subject to the terms of this contract and calling attention to the provisions of this paragraph. The producer shall give notice of such provisions to all purchasers, lessees, tenants, or encumbrancers of this farm or of any part thereof.

II. PERFORMANCE BY THE SECRETARY

18. There shall be made a rental payment of seventeen dollars and fifty cents ($17.50) per acre of the rented acres and proportionately for any fractional acre (computed to the nearest tenth), and shall be made between December 15, 1933, and February 15, 1934, or not later than thirty (30) days from the date of the acceptance of this contract by the Secretary or his authorized agent.

19. There shall be an adjustment payment as follows:

(a) If the base tobacco acreage is four (4) acres or more, this payment shall equal twelve and one half percent (12½%) of the net market value of the tobacco grown on this farm in 1934 for market, up to an amount equal to the initial production allotment for this farm.

(b) If the base tobacco acreage is less than four (4) acres, the rate of this payment shall be increased one half of one percent (½%) for each one tenth (1/10) of an acre difference between four acres and the base tobacco acreage, except that in no event shall the rate exceed twenty-five percent (25%) of the net market value of the tobacco specified in clause (a) above.

In no event shall the adjustment payment be based on a net average market price exceeding twenty-one cents (21¢) per pound.

If the amount of the 1934 tobacco crop of this farm which is grown for market is for any reason less than the initial production allotment, then there shall be paid, as a part of the adjustment payment, two cents (2¢) for each pound that said amount falls short of the initial production allotment.

The adjustment payment shall be made after October 15, 1934, and within sixty (60) days after the presentation to the Secretary or his authorized agent of such proof as the Secretary may require: (1) That the producer has fully performed all the terms and conditions hereof on his part to be performed in respect of the 1934 tobacco crop, and (2) of the amount and net market value of the tobacco grown for market on this farm in 1934; provided that such proof of performance and of amount and net market value shall be presented to the Secretary or his authorized agent prior to April 30, 1935. If the whole or any part of the tobacco crop of 1934 grown for market on this farm, has not been sold prior to March 31, 1935, the Secretary or his authorized agent shall arrange for its appraisal to determine its market value, provided a written request therefor is received prior to March 31, 1935.

20. If the producer sold all or any part of his 1933 tobacco crop from this farm through an auction warehouse market prior to and including October 28, 1933, there shall be paid for the benefit of the producer and such share tenants and/or share croppers as had an interest in such tobacco, a price-equalizing payment on the net proceeds from the producer's original sales of such tobacco, provided application is duly made in accordance with a form to be provided by the Secretary. Said price-equalizing payment shall be twenty percent (20%) of such net proceeds from such tobacco so sold from August 1, 1933, to September 1, 1933, inclusive, and ten percent (10%) of such net proceeds (1) from such tobacco (other than that sold on the South Carolina and Border markets) so sold from September 25, 1933, to October 7, 1933, inclusive, and (2) from such tobacco so sold on the South Carolina and Border markets from September 25, 1933, to October 28, 1933, inclusive. This payment shall be made within sixty (60) days after the application for same has been approved by the Secretary

III. FURTHER AGREEMENT BY PRODUCER

21. The Secretary or his authorized agent shall have the privilege of requiring the producer to reduce the acreage and production of tobacco on this farm in 1935, provided that in no case shall the reduction exceed thirty percent (30%) of the base tobacco acreage and base tobacco production chosen in paragraph 3. Such privilege may be exercised by a notice thereof in writing mailed to the producer at the above address prior to January 1, 1935 In the event that the Secretary or his authorized agent exercises such privilege the terms and conditions of this contract shall apply with the same force and effect in 1935 as in 1934, subject to changes of date, number of rented acres, production allotment and tobacco acreage allotment, and the rate of the second or adjustment payment.

IV. FURTHER AGREEMENT BY SECRETARY

22. In respect of the privilege set forth in paragraph 21, the producer shall receive in 1935 two (2) payments in the event that the Secretary exercises such privilege, and if the producer fully performs the terms and conditions hereof. The amount of the first or rental payment shall be at the same rate per acre rented in 1935 as is provided in paragraph 18, but the rate of the second or adjustment payment, in case a smaller reduction in production is required, shall be reduced in direct proportion to the decrease in the reduction of production.

V. MANNER OF PAYMENT

23. Each adjustment payment provided for by this contract shall be paid to the producer unless the tobacco produced on this farm in 1934 is produced with the aid of share tenants and/or share croppers. In the event that such tobacco is produced with the aid of share tenants and/or share croppers each adjustment payment shall be paid to the producer if designated as trustee (or to such other person as may be designated as trustee) by the producer and such share tenants and share croppers on this farm as have at the time of such designation an interest in the tobacco produced on this farm in 1934 or in the proceeds therefrom. Such designation shall be on forms to be approved by the Secretary. Said trustee shall distribute such payment to those so designating him as trustee, as their interests may appear, in the same proportion as the net market values of the respective shares of such persons in the tobacco produced on this farm in 1934 bear to the net market value of the total amount of such tobacco.

24. Each price-equalizing payment provided for by this contract shall be paid to the producer unless the tobacco produced on this farm in 1933 and sold through an auction warehouse market prior to and including October 28, 1933, was produced with the aid of share tenants and/or share croppers. In the event that such tobacco was produced with the aid of share tenants and/or share croppers, each price-equalizing payment shall be paid to the producer if designated as trustee (or to such other person as may be designated as trustee) by the producer and such share tenants and share croppers on this farm as at the time of such sale had an interest in such tobacco. Such designation shall be on forms to be approved by the Secretary. Said trustee shall distribute such payment to those so designating him as trustee, as their interests may appear, in the same proportion as the net market values of the respective shares of such persons in such tobacco bore to the net market value of the total amount of such tobacco. 16—1370

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25. All rental payments due to the producer under this contract shall be paid by check drawn payable to

.... (Name) .... (Address)

The accompanying statement of consent contains the signatures of all persons having any legal right to control in whole or in part the use of the land on this farm.

IN WITNESS WHEREOF, I have executed this contract.

Witness.. Producer.. (Producer must sign exactly as on page 1)

...., 19......

STATEMENT OF CONSENT

The undersigned, in consideration of and in order to induce the execution of this contract by the Secretary of Agriculture, hereby grant(s) to the producer permission to enter into and execute this contract and agree(s) that the Secretary or his authorized agent may deal with the producer as if he were the sole party having interest in said tobacco land or crop.

Witness:	Interested party:	
(Signature)	(Signature)	(Title)[4]
(Signature)	(Signature)	(Title)[4]
(Signature)	(Signature)	(Title)[4]
(Signature)	(Signature)	(Title)[4]

ACCEPTANCE BY SECRETARY

In consideration of and in reliance upon the foregoing representations and agreements of the producer, and in consideration of and in reliance upon the execution of the above statement of consent, this offer is hereby accepted, in accordance with its terms, this .... day of ...., 19......

HENRY A. WALLACE,
Secretary of Agriculture,
for and on behalf of the United States.

[4] Such as "Landowner" "Tenant", "Lienholder", "Mortgagee", etc.

By ....
Representative of Secretary of Agriculture.

COMMITTEE CERTIFICATION

WE HEREBY CERTIFY that we have examined the foregoing representations of the producer, and certify that to the best of our knowledge and belief they are correct, and recommend that the Secretary enter into this tobacco production adjustment contract on the basis of such representations and approve the rental payment due under the terms of this contract.

Date .... Signature .... (For Community Committee)

Date .... Signature .... (For Community Committee)

Approved by a member of the County Committee:

Date .... Signature .... (For the County Committee)

Checked by County Agent:

Date .... Signature .... (County Agent) 16—1376

Comments:

(SPACE BELOW FOR USE IN WASHINGTON ONLY)

Base tobacco acreage .... acres; base tobacco production .... pounds; rented acres .... @ $17.50... $..................

CERTIFICATE OF ADMINISTRATIVE OFFICER	CERTIFICATE OF COMPTROLLER
Administratively approved for rental payment in the amount of	Audited and approved for rental payment in the amount of
$....................................	$.......................... JOHN B. PAYNE, *Comptroller.*
Date ...., 193	Date ...., 193
.... *Administrative Officer, Payment Unit, Tobacco Section, Agricultural Adjustment Administration.*	By .... *Auditor.*

Paid by Check No. .... Dated .... Amount $.................... on Treasurer of the United States in favor of payee named above.

U. S. GOVERNMENT PRINTING OFFICE 16—1376

EXHIBIT 25

Form T-39
UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
PRODUCTION DIVISION
December 11, 1933

County code ____________

State ____________ County ____________ Serial number ____________

BURLEY TYPE 31*
TOBACCO PRODUCTION ADJUSTMENT CONTRACT

(Pursuant to the Agricultural Adjustment Act approved May 12, 1933, as amended)

The Secretary of Agriculture in accordance with the act proposes to make cash payments to individual farmers who shall agree to make certain reductions in tobacco acreage and tobacco production as set forth herein. If tobacco, burley type 31, was grown in any of the years 1931, 1932, or 1933 upon the land you are farming in 1934, you are eligible to make application for benefits under said act, with the exception that by reason of prohibitions expressed in title 18, section 204 and title 41, section 22 of the United States Code, no Member of or Delegate to Congress shall be permitted to participate in the benefits of such contracts.

The undersigned (Name and address to be typed or printed)

Mr. / Mrs. / Miss [1] ____________________________
(Type or print name on line above—same as signature)

hereinafter referred to as "the producer", post-office address ________ (R.F.D.) ________ (Box number) ________ (Post office)

________ (State) ________ {owning / renting} [1] farm(s) containing ________ acres, of which ________ acres are cultivated,

(If more than one farm is covered by this contract do not fill in the following three lines; where such lines are not filled in the descriptions on attached Form T-40 shall be deemed to be incorporated herein as a part hereof.)

located ________ (Miles and direction) from ________ (Town)

on ________ Road in ________ Township or District[1],

of ________ County, State of ________
hereby offers to enter into a contract with the Secretary of Agriculture (hereinafter referred to as "the Secretary") upon the terms and conditions hereinafter set forth and subject to such regulations and administrative rulings (which shall be deemed to be part of the terms and conditions of this contract) as have been heretofore or may hereafter be prescribed by the Secretary, and by the Tobacco Section, Production Division, of the Agricultural Adjustment Administration, respectively, relating to tobacco production adjustment contracts. Acceptance by the Secretary shall cause this offer to become a binding contract between the producer and the Secretary

I.—PERFORMANCE BY PRODUCER

1. The term "tobacco" wherever used in this contract without reference to any particular kind of tobacco shall mean tobacco of the kind classified as type 31 in Service and Regulatory Announcement No. 118 of the Bureau of Agricultural Economics of the United States Department of Agriculture and known as *Burley tobacco.*

2. The producer represents that in 1933 there were engaged in growing tobacco on the above-mentioned farm(s), hereinafter referred to as "this farm", ______ share-tenants and ______ share-croppers, and represents that the tobacco acreage planted and the tobacco production on this farm for the years 1931, 1932, and 1933 were as follows:

Year	Represented Data of the Producer		Corrected Data of the Committee (not to be filled in by producer)		Producer's Agreement to Corrections
	Tobacco acreage planted	Tobacco production	Tobacco acreage planted	Tobacco production	I hereby agree to and accept the corrected data.
	Acres	*Pounds*	*Acres*	*Pounds*	
1931					________ (Producer)
1932					
1933		x x x x x x		x x x x x x [2]	Date ________

In the event that the total acreage and/or production figures contained in offers certified to in the above-named county are found to be excessive in view of the figures prescribed for said county by the Secretary based upon the best available information, the producer agrees that such of the figures contained in this offer and/or in the 1933 marketing card hereinafter provided for as are not supported by substantiating evidence acceptable to the Secretary or his authorized agent may be reduced pro rata along with similar figures in the other offers in said county so as to make the total figures certified to for said county conform to the figures prescribed by the Secretary.

[1] Strike out words not applicable.
[2] Figures contained in the producer's 1933 marketing card when approved by the Secretary or his authorized agent shall be considered the corrected figures for the 1933 tobacco production for this farm.

(1) 16—1458

* Contracts similar to this were offered to growers of fire-cured, dark air-cured, and Maryland tobacco also.

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3. The "base tobacco acreage" and "base tobacco production" for this farm shall both be one of the following:[a]

(a) The average of 1932 and 1933.

(b) Eighty percent (80%) of the average of 1931, 1932, and 1933.

(c) Eighty percent (80%) of the year 1932.

(d) Seventy-five percent (75%) of the year 1933.

If dark air-cured tobacco or fire-cured tobacco or flue-cured tobacco or any combination thereof is, or are, grown on this farm in 1934, the acreage planted on this farm to each such kind of tobacco shall not be greater in 1934 than the average acreage so planted in the years 1932 and 1933, except as may be provided by a contract or contracts between the producer and the Secretary

4. (a) There shall be kept out of tobacco production in 1934 on this farm:[a]

(1) Thirty-three and one third percent (33⅓%) of the base tobacco acreage chosen for this farm in paragraph 3, or

(2) Fifty percent (50%) of the base tobacco acreage chosen for this farm in paragraph 3.

(b) A number of acres equal to such .... percent (......%) as shown above is hereby rented to the Secretary and such acres shall be hereinafter referred to as "rented acres." The acreage of tobacco planted on this farm in 1934 shall not exceed the remaining .... percent (......%) of the base tobacco acreage, and shall hereinafter be referred to as the "tobacco acreage allotment."

(c) The "initial production allotment" for this farm shall be sixty-six and two thirds percent (66⅔%), or fifty percent (50%) of the base tobacco production for this farm chosen in paragraph 3, depending upon whether the percent of acreage reduction chosen is thirty-three and one third percent (33⅓%) or fifty percent (50%).

5. (a) The initial production allotment in 1934 as defined in paragraph 4(c) may be adjusted at the discretion of the Secretary, by increase or decrease of the same, depending upon the estimated yield in the crop year 1934. Announcement of production allotment adjustment, if and when announced, shall be uniform for all farms covered by tobacco production adjustment contracts. Nothing in this paragraph shall be construed to mean any change in the tobacco acreage allotment as provided for in paragraph 4(b).

(b) There shall not be marketed from this farm a quantity of tobacco planted in 1934 in excess of the initial production allotment, except in the event that said allotment shall be adjusted by the Secretary, in which event such marketing of such tobacco shall not be in excess of the adjusted production allotment.

6. In the event that the tobacco production in 1934 on this farm should exceed for any reason the adjusted production allotment, then the producer shall dispose of the excess as the Secretary may direct.

7. The producer shall keep *tobacco marketing cards*, provided by the Secretary, showing the sales of tobacco grown on this farm in 1933, and in 1934, giving the date, the quantity of tobacco sold, and the net value thereof. When the tobacco produced on this farm has been sold or otherwise disposed of in each such year, the producer shall sign the tobacco marketing card for such year and acknowledge the same before a notary public, as provided for therein. When so acknowledged, such tobacco marketing card shall be delivered by the producer to his Tobacco Production Control Association.

8. The total acreage planted to crops to be harvested on this farm in 1934 plus the rented acres shall not be greater than the acreage so planted in 1932 or 1933. (This shall not affect the producer's right to harvest crops for home consumption from the rented acres as provided in the following paragraph.) The acreage planted for sale on this farm in 1934 to each crop designated in the act as a basic commodity shall not be greater than the acreage so planted in 1932 or 1933, except as may be permitted under a contract between the producer and the Secretary. The number of any kind of livestock designated as a basic commodity in the act (or a product of which is so designated) kept on this farm for sale (or the sale of a product thereof) shall not be greater in 1934 than in 1932 or 1933, except as may be permitted under a contract between the producer and the Secretary.

9. The producer shall use the rented acres only as follows: All or any part may be left idle or planted to soil-improving or erosion-preventing crops or to forest trees or to pasture; not more than one half may be planted to food crops for home consumption on this farm or to feed crops for livestock (or livestock products) for home consumption or use on this farm.

10. The rented acres must not include waste, gullied, or eroded land, but shall be tillable land suited to the growing of tobacco, and fairly representative of the tobacco land on this farm. The rented acres shall be posted by the producer, or may be posted by an authorized agent of the Secretary, in such manner as the Secretary may direct.

11. Tobacco plants grown on this farm in 1934 shall not be sold or otherwise disposed of to any person not operating a farm subject to a tobacco production adjustment contract with the Secretary.

12. No tobacco producer not engaged in operating a farm subject to a tobacco production adjustment contract with the Secretary shall be allowed the use of the tobacco buildings of the producer for the curing, storing, or grading of tobacco.

13. In the event that all, or any part of, the tobacco on this farm was grown by share-tenants and/or share-croppers in 1933, the producer shall not reduce the number of such tenants and/or croppers so engaged in growing tobacco on this farm in 1934 below the number so engaged in 1933, because of the reduction in tobacco acreage and tobacco production or because of other provisions in this contract.

14. If any farm, other than the farm or farms covered by this contract, is owned or operated by the producer, such farm shall be covered by a like contract, if tobacco is grown thereon. Any breach of any of the terms and conditions of such like contract or contracts shall be grounds for termination of this contract by the Secretary.

15. For the purpose of supervision and investigation of the performance by the producer of the terms hereof, the Secretary or his authorized agent shall at all reasonable times have entry to this farm and access to all records for this farm, and the producer shall furnish to the Secretary or his authorized agent such information relating to this farm as may be requested by the Secretary or his authorized agent.

16. It is agreed that the producer will not sell, transfer, or assign, in whole or in part, this contract, or his right to or claim for payments under this contract and will not execute any power of attorney to collect such payments and any such sale, assignment, order, or power of attorney shall be null and void.

17. The statements contained herein are true to the best of the knowledge and belief of the producer. A material misstatement herein, or any noncompliance by the producer with any of the terms hereof, or with any regulations or administrative rulings which have been or may hereafter be issued with reference to this contract, shall be grounds for a rescission by the Secretary. The determination of the Secretary that any such misstatement or noncompliance has occurred shall be final and conclusive. In the event of a rescission hereunder, the producer shall return to the Secretary any payments theretofore paid to the producer, together with all costs incident to the collection thereof.

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[a] Strike out subsections not elected.

3

18. All undertakings herein of the producer are covenants which shall run with the land and shall be fully obligatory upon all future purchasers, lessees, tenants, and encumbrancers of this farm, or any part thereof. In the event that any portion of this farm which is suited for the growing of tobacco is sold or otherwise disposed of, the Secretary or his authorized agent shall, when notified in writing of such sale or disposition, determine a base tobacco acreage, base tobacco production, tobacco acreage allotment, and production allotment for such portion and shall also determine a base tobacco acreage, base tobacco production, tobacco acreage allotment, and production allotment for the remainder of this farm and payments due hereunder thereafter shall be based upon such determinations. If requested by the Secretary or his authorized agent, the producer shall post on this farm in a conspicuous place, or permit an authorized agent of the Secretary so to post, a notice to be furnished by the Secretary, or his authorized agent, stating that this farm is subject to the terms of this contract and calling attention to the provisions of this paragraph. The producer shall give notice of such provisions to all purchasers, lessees, tenants, or encumbrancers of this farm or any part thereof.

II.—PERFORMANCE BY SECRETARY

19. There shall be made to the producer a rental payment of twenty dollars ($20.00) per acre of the rented acres and proportionately for any fractional acre (computed to the nearest tenth), which shall be made before March 1, 1934, or not later than thirty (30) days from the date of the receipt and acceptance of this contract by the Secretary or his authorized agent in Washington.

20. There shall be made other payments as follows:

(a) The pro rata share of the administrative expenses of the Tobacco Production Control Association for the above-named county will be paid to the association. All other payments will be made as provided in part V.

(b) A first adjustment payment which shall be an amount not less than (1) ten percent (10%) of the net sale value of the 1933 tobacco crop of this farm if the 1934 tobacco acreage and production are reduced thirty-three and one third percent (33⅓%) on this farm, or (2) fifteen percent (15%) of the net sale value of such crop if such acreage and production are reduced fifty percent (50%). In no event shall this payment be less than fifteen dollars ($15.00) per rented acre or more than forty-five dollars ($45.00) per rented acre. This payment shall be made after proof satisfactory to the Secretary has been submitted to the Secretary or his authorized agent of (1) the reduction in acreage of the producer's 1934 crop provided for in this contract and (2) the net sale value of the 1933 tobacco crop of this farm. Such payment shall be made not later than September 15, 1934, provided such proof shall have been submitted prior to August 15, 1934.

(c) A second adjustment payment which shall be an amount not less than (1) fifteen percent (15%) of the net sale value of the 1934 tobacco crop of this farm, up to an amount equal to the initial production allotment, or the adjusted production allotment, whichever is smaller, if the 1934 tobacco acreage and production are reduced thirty-three and one third percent (33⅓%) on this farm or (2) thirty-five percent (35%) of the net sale value of such crop, up to said amount, if such acreage and production are reduced fifty percent (50%), in either event less the pro rata share of the administrative expenses of the Tobacco Production Control Association. This payment shall be made after proof satisfactory to the Secretary has been submitted to the Secretary or his authorized agent (1) that the producer has fully performed all the terms and conditions of this contract to be performed on his part in respect to the 1934 tobacco crop, and (2) of the net sale value of the 1934 tobacco crop of this farm. Such payment shall be made not later than June 1, 1935, provided such proof shall have been submitted prior to May 1, 1935.

(d) If the amount of the 1934 tobacco crop of this farm which is grown for market is for any reason less than the initial production allotment, then there shall be made, at the time of the second adjustment payment, a deficiency payment of two cents (2¢) for each pound that said amount falls short of the initial production allotment.

III.—FURTHER PERFORMANCE BY PRODUCER

21. The Secretary or his authorized agent shall have the privilege of requiring the producer to reduce the acreage and production of tobacco on this farm in 1935, provided that in no case shall the reduction exceed fifty percent (50%) of the base tobacco acreage and base tobacco production chosen in paragraph 3. Such privilege may be exercised by a notice thereof in writing mailed to the producer at the above address prior to December 15, 1934. In the event that the Secretary or his authorized agent exercises such privilege the terms and conditions of this contract shall apply with the same force and effect in 1935 as in 1934, subject to changes in number of rented acres, production allotment, tobacco acreage allotment, and the dates and rates of the adjustment payments.

IV.—FURTHER PERFORMANCE BY SECRETARY

22. In respect of the privilege set forth in paragraph 21, the producer shall receive in 1935 three (3) payments in the event that the Secretary exercises such privilege, and if the producer fully performs the terms and conditions hereof. The amount of the first or rental payment shall be at the same rate per acre rented in 1935 as is provided in paragraph 19; the rates of the adjustment payments shall be determined by the Secretary and shall be such as will tend to give producers the fair exchange value for that portion of their 1935 production which is equal to domestic consumption.

V.—MANNER OF PAYMENT

23. Each adjustment payment and the deficiency payment provided for by this contract shall be paid to the producer unless the tobacco produced on this farm in 1934 is produced with the aid of share-tenants and/or share-croppers. In the event that such tobacco is produced with the aid of share-tenants and/or share-croppers, such payments shall be paid to the producer if designated as trustee (or to such other person as may be designated as trustee) by the producer and such share-tenants and share-croppers on this farm as have at the time of such designation an interest in the tobacco produced on this farm in 1934. Such designation shall be on forms to be approved by the Secretary. Said trustee shall distribute the first adjustment payment to those so designating him as trustee in the same proportion as their respective interests in the tobacco acreage grown on this farm in 1934 bear to the total tobacco acreage so grown, unless those so designating the trustee shall specify some other method of distribution in written instructions signed by such persons and delivered to the trustee at the time of his designation. Said trustee shall distribute the second adjustment payment to those so designating him as trustee, as their interests may appear, in the same proportion as the net market values of the respective shares of such persons in the tobacco produced for market on this farm in 1934 bear to the net market value of the total amount of such tobacco, and shall distribute the deficiency payment to such persons in such manner as may be specified in written instructions signed by such persons and delivered to the trustee at the time of such designation.

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24. All rental payments due to the producer under this contract shall be paid by check drawn payable to:

.... (Name) .... (Address)

The producer hereby applies for membership in the Tobacco Production Control Association in the above-named county. The accompanying statement of consent contains the signatures of all persons having any legal right to control, in whole or in part, the use of the land on this farm.

IN WITNESS WHEREOF, I have executed this contract.

Witness.. Producer.. (Producer must sign exactly as on page 1)

...., 19......

STATEMENT OF CONSENT

The undersigned, in consideration of and in order to induce the execution of this contract by the Secretary of Agriculture, hereby grant(s) to the producer, ..., permission to enter into and execute this contract and agree(s) that the Secretary or his authorized agent may deal with the producer as if he were the sole party having interest in said tobacco land or crop.

WITNESS: Interested person(s):

.... (Signature) .... (Signature)

.... (Signature) .... (Signature)

.... (Signature) .... (Signature)

ACCEPTANCE BY SECRETARY

In consideration of and in reliance upon the foregoing representations and agreements of the producer, and in consideration of and in reliance upon the execution of the above statement of consent, this offer is hereby accepted, in accordance with its terms, this..

HENRY A. WALLACE,
Secretary of Agriculture,
for and on behalf of the United States

By ....
Representative of Secretary of Agriculture.

COUNTY CONTROL COMMITTEE CERTIFICATION

We hereby certify that we have considered the foregoing representations of the producer, the reports of certification of the Community Committee, the evidence submitted by the producer which in our opinions {was / was not}[4] adequate and certify that to the best of our knowledge and belief the acreage and production data are correct and recommend that the Secretary approve the rental payment due under the terms of the contract. We have determined for this farm the following acreage figures, subject to such corrections and adjustments as the Secretary or his authorized agent may find necessary.

1. Base tobacco acreage, (option *a*, *b*, *c*, or *d*)[5].. .... (Acres)

2. Tobacco acreage allotment (66⅔ percent or 50 percent of item 1)[5].. .... (Acres)

3. Rented acres (33⅓ percent or 50 percent of item 1)[5].. .... (Acres)

Approved by County Control Committee: Signed ....

Date ....

....

Checked by County Agent: .... *County Control Committee.*

Signed ....

Date .... *County Agent.*

CERTIFICATE OF ADMINISTRATIVE OFFICER

Administratively approved for rental payment in the amount of $..

Date ...., 193

....
Administrative Officer,
Payment Unit, Tobacco Section,
Agricultural Adjustment Administration.

CERTIFICATE OF COMPTROLLER

Audited and approved for rental payment in the amount of

$..........................

JOHN B. PAYNE, *Comptroller.*

Date ...., 193

By ....
Auditor.

Paid by Check No. .... Dated .... Amount $.......... .... on Treasurer of the United States in favor of payee named above.

[4] Strike out word or words not applicable. [5] Strike out options not applicable.

U. S. GOVERNMENT PRINTING OFFICE 1934 16—1455

Exhibit 26

Form T10

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

State.. *County*.. *Serial number*..................................

GEORGIA-FLORIDA TYPE 62*
TOBACCO PRODUCTION ADJUSTMENT CONTRACT

Pursuant to the Agricultural Adjustment Act, Approved May 12, 1933, as Amended

The Secretary of Agriculture in accordance with the Act proposes to make cash payments to individual farmers who shall agree to make certain reductions in tobacco production and tobacco acreage as set forth herein. If tobacco, Georgia-Florida Type 62, is grown in 1933 upon the land you are farming, you are eligible to make application for benefits under said Act.

(Name and address to be typed or printed)

The undersigned
Mr.* Mrs. Miss .... (First name) .... (Middle name) .... (Last name),
hereinafter referred to as "the producer",

post-office address .... (R.F.D.) .... (Box no.) .... (Post office) .... (State),

owning,* renting a farm .... (Miles and direction) from .... (Town)

on .... Road in .... Township of .... County, State of

........................, hereby offers to enter into a contract with the Secretary of Agriculture, hereinafter referred to as "the Secretary", upon the terms and conditions hereinafter set forth and subject to such rules and regulations (which shall be deemed to be part of the terms and conditions of this contract) as have been heretofore, or may hereafter be, prescribed by the Secretary, pursuant to the above Act. Acceptance by the Secretary shall cause this offer to become a binding contract between the producer and the Secretary.

I. Agreement by Producer

The producer agrees:

1. The term "tobacco" wherever used in this contract shall mean tobacco of the kind classified as Type 62 in Service and Regulatory Announcement No. 118 of the Bureau of Agricultural Economics of the United States Department of Agriculture.

2. There shall be left unharvested on each acre planted to tobacco in 1933 on the above-mentioned farm, hereinafter referred to as "this farm", an average of four (4) tobacco stalk leaves per tobacco plant.

3. The total quantity of tobacco of the 1933 crop marketed from this farm shall not exceed, in pounds, 960 times the number of "contracted acres".# The number of "contracted acres", for the purposes of this agreement, shall be computed as follows: (a) The number of those acres on this farm on each of which not less than 8,000 tobacco plants suitable for harvest are grown in 1933; plus (b) The number of tobacco plants suitable for harvest grown in 1933 on all other land on this farm divided by 8,000.

4. If any farm other than the one covered by this contract is owned or operated by the producer, such farm must be covered by a like contract if tobacco is grown thereon, and a breach of any of the terms and conditions of such like contract shall be grounds for termination of this contract by the Secretary.

5. The accompanying Statement of Consent contains the signatures of all persons or agencies having any right, title, or interest, or lien in, to, or upon the whole or any part of the tobacco crop subject to this contract, and the producer further agrees to indemnify and hold harmless the United States from any and all claims whatsoever arising out of the performance of this contract.

6. For the purpose of supervision and investigation of the performance by the producer of the terms hereof, the Secretary or his authorized agent shall at all reasonable times have access to this farm, and from time to time the producer shall furnish to the Secretary or his authorized agent such information relating to this farm as may be requested by the Secretary or his authorized agent.

7. The statements contained herein are true to the best of the knowledge and belief of the producer. A material misstatement herein or in any information furnished pursuant to paragraph six (6) of this contract or any non-compliance by the producer with any of the terms hereof or with any regulations which have been or may hereafter be issued by the Secretary with reference to this contract, shall constitute a breach of this contract and shall be ground for its termination by the Secretary.

8. If the producer is indebted to the United States Government in any amount for obligations due at the time payments are to be made to the producer under this contract, it is understood that such payments may be applied to the reduction or full payment of such indebtedness and the balance, if any, then paid to the producer.

II. Agreement by Secretary

The Secretary agrees:

9. There shall be made to the producer two payments in respect of the 1933 crop. The first payment shall be for the amount of thirty dollars ($30.00) per acre of the contracted acres and shall be made between August 1, 1933, and October 1, 1933, after proof of compliance by the producer with the terms and conditions of this contract other than those contained in paragraph 3. The second payment shall be for thirty dollars ($30.00) per acre of the contracted acres and shall be made within sixty (60) days after the presentation of proof to the Secretary or his authorized agent that the producer has fully performed all the terms and conditions of this contract, including proof: (1) That the 1933 crop of tobacco on this farm does not exceed, in pounds, 960 times the number of contracted acres; or (2) that the amount, in pounds, of tobacco of the 1933 crop from this farm in excess of 960 times the number of contracted acres has been disposed of at the expense of the producer in such manner as the Secretary or his authorized agent may have directed.

III. Further Agreement by Producer

The producer further agrees:

10. In further consideration of the payments stipulated in paragraph 9, the Secretary or his authorized agent shall have the privilege of requiring that the producer shall not harvest tobacco acreage in the years 1934 and/or 1935 in excess of the base tobacco acreage established for this farm in the manner set forth below, or of requiring that in 1934 and/or in 1935 only certain acreages, to be hereafter specified by the Secretary, less than or in addition to said base tobacco acreage shall be harvested.

* Strike out words not applicable.

\# The producer represents that there are ..... acres on this farm on each of which not less than 8,000 tobacco plants suitable for harvest are grown in 1933; that the number of tobacco plants suitable for harvest grown in 1933 on all other land on this farm is ....; and that the number of "contracted acres" as defined in paragraph 3 is ....

8—6327

* The Georgia-Florida and Miami Valley contracts represent the two main types of cigar tobacco contracts.

11. Each of the foregoing privileges may be exercised by mailing, to the producer at the above address, on or before January 1 of, the year in respect of which such privilege may be exercised, a notice thereof.

12. The base tobacco acreage referred to in paragraph 10 above will be determined as follows:

(a) The Secretary or his authorized agent will consult with representatives of the growers of tobacco of the kind covered by this contract.

(b) Thereafter, the Secretary or his authorized agent will determine the total acreage of such tobacco to be grown in 1934 and/or in 1935 in the United States.

(c) After such determination, a committee of said growers, who shall be designated by the Secretary or his authorized agent, shall, subject to the approval of the Secretary or his authorized agent, on or before January 15, 1934, allot for this farm a base tobacco acreage for such tobacco for 1934 and/or on or before January 15, 1935, allot for this farm a base tobacco acreage for such tobacco for 1935.

13. All undertakings herein of the producer are covenants which shall run with the land and shall be fully obligatory upon all future purchasers, lessees, tenants, and encumbrancers of this farm or of any part thereof. In the event that any portion of this farm is sold or otherwise disposed of, the Secretary or his authorized agent shall in writing determine the base tobacco acreage for such portion and shall determine a new base tobacco acreage for the remainder of this farm. If requested in writing by the Secretary or his authorized agent, the producer shall post on this farm in a conspicuous place, or permit an authorized agent of the Secretary so to post, a notice to be furnished by the Secretary or his authorized agent stating that this farm is subject to the terms of this contract and referring to the matters contained above in this paragraph. The producer shall notify all purchasers, lessees, tenants, or encumbrancers of this farm or of any part thereof of such matters.

IV. Authorization by Producer

The producer authorizes the Secretary or the latter's authorized agent:

14. To make payment of any money due to the producer under the terms of this contract to ....

.... as trustee for the producer and the following-named persons, by mailing the same to said trustee at ....
(Post-office address)

and the Secretary shall not be obliged to see to the application of the proceeds of any such payment so made to said trustee:

.... (Name)	.... (Address)
.... (Name)	.... (Address)
.... (Name)	.... (Address)

In witness whereof I have executed this contract.

Witness: .... (Signature) Producer: .... (Signature)

.........., 1933.

STATEMENT OF CONSENT

The undersigned, in consideration of and in order to induce the execution of this contract by the Secretary of Agriculture hereby grant(s) to the producer permission to enter into and execute this contract and agree(s) that the Secretary or his authorized agent may deal with the producer as if he were the sole party having interest in this farm or the tobacco crop covered hereby.

Witness:	Interested party:
.... (Signature)	.... (Signature)
.... (Signature)	.... (Signature)
.... (Signature)	.... (Signature)
.... (Signature)	.... (Signature)

ACCEPTANCE BY SECRETARY

In consideration of and in reliance upon the foregoing representations and agreements of the producer, and in consideration of the execution of the above Statement of Consent by the other interested parties, this offer is hereby accepted in accordance with its terms,

this .... day of ...., 1933.

HENRY A. WALLACE,
Secretary of Agriculture, for and on behalf of the United States.

By ....

U. S. GOVERNMENT PRINTING OFFICE 1933 8—6387

Exhibit 27

Form T3

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

State .... *County* .... *Serial number* ....

MIAMI VALLEY TYPES 42, 43, AND 44

TOBACCO ACREAGE REDUCTION CONTRACT

Pursuant to the Agricultural Adjustment Act, Approved May 12, 1933, as Amended

The Secretary of Agriculture in accordance with the Act proposes to make cash payments to individual farmers who shall agree to make certain reductions in tobacco acreage and tobacco production as set forth herein. If tobacco, Miami Valley Types 42 and/or 43 and 44, was grown in 1931 or 1932 upon the land you are farming in 1933 you are eligible to make application for benefits under said Act.

(Name and address to be typed or printed)

The undersigned
Mr.* }
Mrs. } ....
Miss } (First name) (Middle name) (Last name)
hereinafter referred to as "the producer",

post-office address ....,
(R.F.D.) (Box no.) (Post office) (State)

owning* } a farm .... from ....
renting } (Miles and direction) (Town)

on .... Road in .... Township of .... County, State of

...................................., hereby offers to enter into a contract with the Secretary of Agriculture, hereinafter referred to as "the Secretary", upon the terms and conditions hereinafter set forth and subject to such rules and regulations (which shall be deemed to be part of the terms and conditions of this contract) as have been heretofore or may hereafter be prescribed by the Secretary pursuant to the above Act. Acceptance by the Secretary shall cause this offer to become a binding contract between the producer and the Secretary.

I. Agreement by Producer

The producer agrees:

1. The term "tobacco" wherever used in this contract shall mean tobacco of the kind classified as Type 42 and/or of the kind classified as Type 43 and/or the kind classified as Type 44, in Service and Regulatory Announcement No. 118 of the Bureau of Agricultural Economics of the United States Department of Agriculture.

2. There shall be taken out or kept out of tobacco production in 1933 on the above-mentioned farm, hereinafter referred to as "this farm", fifty percent (50%) of the base tobacco acreage chosen for this farm in paragraph 3,† and the acreage of tobacco harvested on this farm in 1933 shall not exceed the remaining fifty percent (50%) of such base tobacco acreage. The land taken out or kept out of tobacco production as provided in this paragraph shall be referred to hereinafter as "the contracted acreage of 1933."

3. "The base tobacco acreage" for this farm shall be the one chosen by the producer from the following:
   (*a*) Eighty percent (80%) of the average tobacco acreage planted on this farm in 1931 and 1932.
   (*b*) The entire tobacco acreage planted on this farm in 1932, provided such acreage did not exceed that so planted in 1931.
   (*c*) The average tobacco acreage planted on this farm in 1931 and 1932, provided the tobacco acreage planted on this farm in 1932 exceeded that so planted in 1931.
   (Strike out the two subsections not chosen)

4. The contracted acreage of 1933, 1934, and 1935 shall not include land which is waste, gullied, or eroded, and shall be tillable land suitable for growing tobacco.

5. The contracted acreage of 1933, 1934, and 1935, may be posted by an authorized agent of the Secretary in such manner as the Secretary may direct.

6. The contracted acreage of 1933 shall be used only as follows: At least one-half thereof shall be left idle or planted to soil-maintenance crops. The remainder shall be used only for food crops for home consumption on this farm, or for feed crops for the production of livestock (or livestock products) for home consumption or use on this farm.

7. No further application of commercial fertilizer shall be made on that portion of this farm which, under the terms of this contract, may remain in tobacco production in 1933 if, as a result of such application, the total application of commercial fertilizer per acre on such portion would exceed the amount per acre of commercial fertilizer used on land planted to tobacco on this farm in 1932, and no attempt shall be made in 1933 to increase materially the yield of tobacco per acre on such portion by adopting unusual cultural practices thereon.

* Stike out words not applicable.

† The producer represents that the tobacco acreage planted on this farm in 1931 was .... acres and in 1932 was .... acres, and further represents that the base tobacco acreage on this farm as chosen by him, in accordance with subsection .... in paragraph 3 above is .... acres. T3 8—8313

(1)

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8. Tobacco plants grown on this farm shall not be sold or otherwise disposed of to any person not engaged in operating a farm subject to a Miami Valley Types 42, 43, and 44 Tobacco Acreage Reduction Contract with the Secretary.

9. No tobacco grower not engaged in operating a farm subject to a Miami Valley Types 42, 43, and 44 Tobacco Acreage Reduction Contract with the Secretary shall be allowed the use of shed room or barn room of the producer for the curing or storing of tobacco.

10. If any farm other than the one covered by this contract is owned or operated by the producer, such farm shall be covered by a like contract if tobacco is grown thereon, and a breach of any of the terms and conditions of such like contract shall be ground for termination of this contract by the Secretary.

11. All undertakings herein of the producer are covenants which shall run with the land and shall be fully obligatory upon all future purchasers, lessees, tenants, and encumbrancers of this farm or of any part thereof. In the event that any portion of this farm is sold or otherwise disposed of, the Secretary or his authorized agent shall in writing determine the base tobacco acreage for such portion and shall determine a new base tobacco acreage for the remainder of this farm. If requested in writing by the Secretary or his authorized agent, the producer shall post on this farm in a conspicuous place, or permit an authorized agent of the Secretary so to post, a notice to be furnished by the Secretary or his authorized agent stating that this farm is subject to the terms of this contract and referring to the matters contained above in this paragraph. The producer shall notify all purchasers, lessees, tenants, or encumbrancers of this farm, or of any part thereof, of such matters.

12. For the purpose of supervision and investigation of the performance by the producer of the terms hereof, the Secretary or his authorized agent shall at all reasonable times have access to this farm and from time to time the producer shall furnish to the Secretary or his authorized agent such information relating to this farm as may be requested by the Secretary or his authorized agent.

13. The accompanying Statement of Consent contains the signatures of all persons and agencies having any right, title, interest, or lien in, to, or upon the whole or any part of any crop or crops on the contracted acreage of 1933, and the producer further agrees to indemnify and hold harmless the United States from any and all claims whatsoever arising out of the performance of this contract.

14. If the producer is indebted to the United States in any amount for obligations due at the time payments are to be made to the producer under this contract, it is understood that such payments may be applied to the reduction or full payment of such indebtedness and the balance, if any, then paid to the producer.

15. The statements contained herein are true to the best of the knowledge and belief of the producer. A material misstatement herein or in any information furnished pursuant to paragraph 12 or any noncompliance by the producer with any of the terms hereof or with any regulations which have been or may hereafter be issued by the Secretary with reference to this contract shall constitute a breach of this contract and shall be grounds for its termination by the Secretary.

II. Agreement by Secretary

The Secretary agrees:

16. There shall be made to the producer two payments in respect of the 1933 tobacco crop: The first payment shall be for the amount of fifteen dollars ($15.00) per acre of the contracted acreage of 1933 and shall be made between September 1, 1933, and November 1, 1933, after proof of compliance by the producer with the terms of this contract. The second payment shall be for such amount as shall be equal, for each acre of the contracted acreage of 1933, to forty percent (40%) of the average market value per acre of the tobacco harvested on this farm in 1933, except that in no event shall the second payment be for an amount of less than nine dollars ($9.00) for each acre of the contracted acreage of 1933. The second payment shall be made within sixty (60) days after the presentation to the Secretary or his authorized agent of (1) proof that the producer has fully performed all of the terms and conditions hereof on his part to be performed in 1933, and (2) proof of the average market value per acre of tobacco harvested, if any, on this farm in 1933, provided that such proof of performance and market value shall be presented to the Secretary or his authorized agent prior to May 1, 1934.

17. If the whole or any part of the tobacco crop of 1933 harvested on this farm is delivered to a cooperative marketing association, the Secretary or his authorized agent shall arrange for the appraisal of such tobacco within thirty (30) days after receipt of written notice that samples are available, provided such notice is received prior to May 1, 1934. If the whole or any part of the tobacco crop of 1933 harvested on this farm, other than that delivered to a cooperative marketing association, has not been sold prior to April 1, 1934, the Secretary or his authorized agent shall arrange for the appraisal of such tobacco for the purpose of determining the average market value per acre of tobacco harvested on this farm in 1933, provided a written request therefor is received prior to May 1, 1934. The value as determined by this appraisal or these appraisals, added to the market value of the portion sold, and divided by the number of acres harvested, shall be deemed to constitute the average market value per acre within the meaning of paragraph 16.

T3 8-8316

III. Further Agreement by Producer

The producer further agrees:

18. The Secretary or his authorized agent shall have the privilege of requiring either (1) that the producer shall limit in the year 1934 the acreage of this farm for tobacco to fifty percent (50%) of the base tobacco acreage chosen for this farm in paragraph 3, or (2) that any increase beyond such fifty percent (50%) shall not exceed an amount to be hereafter designated by the Secretary or his authorized agent. Such privilege may be exercised by notice thereof in writing mailed prior to April 1, 1934, to the producer at the above address. In the event that the Secretary or his authorized agent shall exercise said privilege, that portion of the base tobacco acreage which is thereby to be taken out or kept out of tobacco production (referred to herein as "the contracted acreage of 1934") shall, during the year 1934, be subject to all the terms and conditions of paragraphs 4, 5, 8, 9, 10, 11, 12, 13, 14, and 15, and to the further conditions that the quantity of commercial fertilizer used per acre for tobacco on this farm in 1934 shall not exceed the amount used per acre in 1932 and no attempt shall be made in 1934 to increase materially the yield of tobacco per acre on this farm by adopting unusual cultural practices thereon.

19. The Secretary or his authorized agent shall have the privilege of requiring either (1) that the producer shall limit in the year 1935 the acreage of this farm for tobacco to fifty percent (50%) of the base tobacco acreage chosen for this farm in paragraph 3, or (2) that any increase beyond such fifty percent (50%) shall not exceed an amount to be hereafter designated by the Secretary or his authorized agent. Such privilege may be exercised by notice thereof in writing mailed prior to April 1, 1935, to the producer at the above address. In the event that the Secretary or his authorized agent shall exercise said privilege, that portion of the base tobacco acreage which is thereby to be taken out or kept out of tobacco production (referred to herein as "the contracted acreage of 1935") shall, during the year 1935, be subject to all the terms and conditions of paragraphs 4, 5, 8, 9, 10, 11, 12, 13, 14, and 15, and to the further conditions that the quantity of commercial fertilizer used per acre for tobacco on this farm in 1935 shall not exceed the amount used per acre in 1932 and no attempt shall be made in 1935 to increase materially the yield of tobacco per acre on this farm by adopting unusual cultural practices thereon.

20. In the event that the Secretary or his authorized agent exercises the privilege set forth in paragraph 18 and/or the privilege set forth in paragraph 19, the Secretary or his authorized agent shall have the further privilege or privileges, as the case may be, of requiring that the producer shall, during the year or years with respect to which such privilege or privileges may be exercised, grow no crops other than soil-maintenance crops on the contracted acreage of such year or years or on any part thereof which the Secretary or his authorized agent may designate.

IV. Further Agreement by Secretary

The Secretary further agrees:

21. In respect of each of the privileges set forth in paragraphs 18 and 19, the producer shall receive two payments in the event that the Secretary exercises said privilege and in the event that the producer fully performs the terms and conditions hereof applicable with respect to said privilege. The amount of these payments shall be determined as follows: The first payment, which shall be made on or before October 1 of the year in which such privilege is exercised, shall be for an amount to be determined by the Secretary which amount shall be not less than twelve dollars ($12.00) for each acre of the contracted acreage of the year in which the first payment is made. The second payment shall be for an amount to be determined by the Secretary, which amount shall be not less, for each acre of said contracted acreage than thirty percent (30%) of the average market value per acre of the tobacco harvested on this farm during said year, and in no event shall the second payment be for an amount of less than eight dollars ($8.00) for each acre of said contracted acreage. Said second payment shall be made within sixty (60) days after presentation to the Secretary or his authorized agent of proof of said average market value and proof of the performance by the producer of all the terms and conditions hereof to be performed by the producer in the year in which such privilege is exercised, provided such proof of performance and average market value shall be so presented prior to May 1 of the following year, and provided further that the method of determining average market value shall be subject to the terms and conditions of paragraph 17, with appropriate changes of dates. In each year in which the Secretary, pursuant to paragraph 20, requires that the producer shall grow no crops other than soil-maintenance crops on a larger part than one-half of the contracted acreage of such year, then the first payment to the producer for such year shall be for an amount not less than fifteen dollars ($15.00) per acre of the contracted acreage of such year, and the second payment shall be for an amount not less, for each acre of the contracted acreage of such year, than forty percent (40%) of the average market value per acre of the tobacco harvested on this farm in such year and in no event shall be less than nine dollars ($9.00) for each acre of the contracted acreage of such year.

4

V. Authorization by Producer

The producer authorizes the Secretary or the latter's authorized agent:

22. To make payment of any money due to the producer under the terms of this contract to .... as trustee for the producer and the following-named persons, by mailing the same to said trustee at .... (Post-office address), and the Secretary shall not be obliged to see to the application of the proceeds of any such payments so made to said trustee:

.... (Name)	.... (Address)
.... (Name)	.... (Address)
.... (Name)	.... (Address)

In witness whereof I have executed this contract.

Witness .... (Signature) Producer .... (Signature)

...., 1933.

STATEMENT OF CONSENT

The undersigned, in consideration of and in order to induce the execution of this contract by the Secretary of Agriculture, hereby grant(s) to the producer permission to enter into and execute this contract and agree(s) that the Secretary or his authorized agent may deal with the producer as if he were the sole party having interest in said tobacco land or crop.

Witness:	Interested party:
.... (Signature)	.... (Signature)
.... (Signature)	.... (Signature)
.... (Signature)	.... (Signature)
.... (Signature)	.... (Signature)

ACCEPTANCE BY SECRETARY

In consideration of and in reliance upon the foregoing representations and agreements of the producer, and in consideration of and in reliance upon the execution of the above Statement of Consent by the other interested party or parties, this offer is hereby accepted, in accordance with its terms, this .... day of ...., 1933.

HENRY A. WALLACE,
Secretary of Agriculture,
for and on behalf of the United States.

By ....

U. S. GOVERNMENT PRINTING OFFICE 1933 5—8718

APPENDIX J

Exhibit 28.—The Act as Amended

AGRICULTURAL ADJUSTMENT ACT[1]

DECLARATION OF EMERGENCY

That the present acute economic emergency being in part the consequence of a severe and increasing disparity between the prices of agricultural and other commodities, which disparity has largely destroyed the purchasing power of farmers for industrial products, has broken down the orderly exchange of commodities, and has seriously impaired the agricultural assets supporting the national credit structure, it is hereby declared that these conditions in the basic industry of agriculture have affected transactions in agricultural commodities with a national public interest, have burdened and obstructed the normal currents of commerce in such commodities, and render imperative the immediate enactment of title I of this act.

DECLARATION OF POLICY

Sec. 2. It is hereby declared to be the policy of Congress—

(1) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco shall be the pre-war period, August 1909–July 1914. In the case of tobacco, the base period shall be the post-war period, August 1919–July 1929.

(2) To approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

(3) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the pre-war period, August 1909–July 1914.

Part 1—Cotton Option Contracts

Sec. 3. The Federal Farm Board and all departments and other agencies of the Government, not including the Federal intermediate credit banks, are hereby directed—

(a) To sell to the Secretary of Agriculture at such price as may be agreed upon, not in excess of the market price, all cotton now owned by them.

(b) To take such action and to make such settlements as are necessary in order to acquire full legal title to all cotton on which money has been loaned or advanced by any department or agency of the United States, including futures contracts for cotton or which is held as collateral for loans or advances and to make final settlement of such loans and advances as follows:

(1) In making such settlements with regard to cotton, including operations to which such cotton is related, such cotton shall be taken over by all such departments or agencies other than the Secretary of Agriculture at a price or sum equal to the amounts directly or indirectly loaned or advanced thereon and outstanding, including loans by the Government department or agency and any loans senior

[1] The Agricultural Adjustment Act constitutes title I of the act approved May 12, 1933, entitled "An act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint stock land banks, and for other purposes." 48 Stat. 31; as amended June 16, 1933, ch. 90, 48 Stat. 195, 210, sec. 221, and ch. 98, 48 Stat. 257, 273, sec. 86.

thereto, plus any sums required to adjust advances to growers to 90 percent of the value of their cotton at the date of its delivery in the first instance as collateral to the department or agency involved, such sums to be computed by subtracting the total amount already advanced to growers on account of pools of which such cotton was a part, from 90 percent of the value of the cotton to be taken over as of the time of such delivery as collateral, plus unpaid accrued carrying charges and operating costs on such cotton, less, however, any existing assets of the borrower derived from net income, earnings, or profits arising from such cotton, and from operations to which such cotton is related; all as determined by the department or agency making the settlement.

(2) The Secretary of Agriculture shall make settlements with respect to cotton held as collateral for loans or advances made by him on such terms as in his judgment may be deemed advisable, and to carry out the provisions of this section, is authorized to indemnify or furnish bonds to warehousemen for lost warehouse receipts and to pay the premiums on such bonds.

When full legal title to the cotton referred to in (b) has been acquired, it shall be sold to the Secretary of Agriculture for the purposes of this section, in the same manner as provided in (a).

(c) The Secretary of Agriculture is hereby authorized to purchase the cotton specified in paragraphs (a) and (b).

SEC. 4. The Secretary of Agriculture shall have authority to borrow money upon all cotton in his possession or control and deposit as collateral for such loans the warehouse receipts for such cotton.

SEC. 5. The Reconstruction Finance Corporation is hereby authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire such cotton and to pay the classing, carrying, and merchandising costs thereon, in such amounts and upon such terms as may be agreed upon by the Secretary and the Reconstruction Finance Corporation, with such warehouse receipts as collateral security: *Provided, however*, That in any instance where it is impossible or impracticable for the Secretary to deliver such warehouse receipts as collateral security for the advances and loans herein provided to be made, the Reconstruction Finance Corporation may accept in lieu of all or any part thereof such other security as it may consider acceptable for the purposes aforesaid, including an assignment or assignments of the equity and interest of the Secretary in warehouse receipts pledged to secure other indebtedness. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized and empowered to issue and to have outstanding at any one time under existing law is hereby increased by an amount sufficient to carry out the provisions of this section.

SEC. 6. (a) The Secretary of Agriculture is hereby authorized to enter into option contracts with the producers of cotton to sell to any such producer an amount of cotton to be agreed upon not in excess of the amount of reduction in production of cotton by such producer below the amount produced by him in the preceding crop year, in all cases where such producer agrees in writing to reduce the amount of cotton produced by him in 1933, below his production in the previous year, by not less than 30 per centum, without increase in commercial fertilization per acre.

(b) To any such producer so agreeing to reduce production the Secretary of Agriculture shall deliver a nontransferable-option contract agreeing to sell to said producer an amount, equivalent to the amount of his agreed reduction, of the cotton in the possession and control of the Secretary.

(c) The producer is to have the option to buy said cotton at the average price paid by the Secretary for the cotton procured under section 3, and is to have the right at any time up to January 1, 1934, to exercise his option, upon proof that he has complied with his contract and with all the rules and regulations of the Secretary of Agriculture with respect thereto, by taking said cotton upon payment by him of his option price and all actual carrying charges on such cotton; or the Secretary may sell such cotton for the account of such producer, paying him the excess of the market price at the date of sale over the average price above referred to after deducting all actual and necessary carrying charges: *Provided*, That in no event shall the producer be held responsible or liable for financial loss incurred in the holding of such cotton or on account of the carrying charges therein: *Provided further*, That such agreement to curtail cotton production shall contain a further provision that such cotton producer shall not use the land taken out of cotton production for the production for sale, directly or indirectly, of any other nationally produced agricultural commodity or product.

(d) If any cotton held by the Secretary of Agriculture is not disposed of under subsection (c), the Secretary is authorized to enter into similar option contracts with respect to such cotton, conditioned upon a like reduction of production in 1934, and permitting the producer in each case to exercise his option at any time up to January 1, 1935.

SEC. 7.[2] The Secretary shall sell the cotton held by him at his discretion, but subject to the foregoing provisions: *Provided*, That he shall dispose of all cotton held by him by March 1, 1936: *Provided further*, That, notwithstanding the provisions of section 6, the Secretary shall have authority to enter into option contracts with producers of cotton to sell to the producers such cotton held by him, in such amounts and at such prices and upon such terms and conditions as the Secretary may deem advisable, in combination with rental or benefit payments provided for in part 2 of this title.

Notwithstanding any provisions of existing law, the Secretary of Agriculture may in the administration of the Agricultural Adjustment Act make public such information as he deems necessary in order to effectuate the purposes of such act.

PART 2—COMMODITY BENEFITS

GENERAL POWERS

SEC. 8. In order to effectuate[3] the declared policy, the Secretary of Agriculture shall have power—

(1) To provide for the reduction in the acreage or reduction in the production for market, or both, of any basic agricultural commodity, through agreements with producers or by other voluntary methods, and to provide for rental or benefit payments in connection therewith or upon that part of the production of any basic agricultural commodity required for domestic consumption, in such amounts as the Secretary deems fair and reasonable, to be paid out of any moneys available for such payments. Under regulations of the Secretary of Agriculture requiring adequate facilities for the storage of any nonperishable agricultural commodity on the farm, inspection and measurement of any such commodity so stored, and the locking and sealing thereof, and such other regulations as may be prescribed by the Secretary of Agriculture for the protection of such commodity and for the marketing thereof, a reasonable percentage of any benefit payment may be advanced on any such commodity so stored. In any such case, such deduction may be made from the amount of the benefit payment as the Secretary of Agriculture determines will reasonably compensate for the cost of inspection and sealing, but no deduction may be made for interest.

(2) To enter into marketing agreements with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce of any agricultural commodity or product thereof, after due notice and opportunity for hearing to interested parties. The making of any such agreement shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful: *Provided*, That no such agreement shall remain in force after the termination of this act. For the purpose of carrying out any such agreement the parties thereto shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act. Such loans shall not be in excess of such amounts as may be authorized by the agreements.

(3) To issue licenses permitting processors, associations of producers, and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof. Such licenses shall be subject to such terms and conditions, not in conflict with existing acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. The Secretary of Agriculture may suspend or revoke any such license, after due notice and opportunity for hearing, for violations of the terms or

[2] By section 221 of the National Industrial Recovery Act, section 7 was amended by striking out all of its terms and substituting the terms as they appear above. As originally enacted section 7 read as follows: "The Secretary shall sell the cotton held by him at his discretion, but subject to the foregoing provisions: *Provided*, That he shall dispose of all cotton held by him by March 1, 1936: *Provided further*, That the Secretary shall have authority to enter into additional option contracts for so much of such cotton as is not necessary to comply with the provisions of section 6, in combination with benefit payments as provided for in part 2 of this title."

[3] So in original.

conditions thereof. Any order of the Secretary suspending or revoking any such license shall be final if in accordance with law. Any such person engaged in such handling without a license as required by the Secretary under this section shall be subject to a fine of not more than $1,000 for each day during which the violation continues.

(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title.

(5) No person engaged in the storage in a public warehouse of any basic agricultural commodity in the current of interstate or foreign commerce, shall deliver any such commodity upon which a warehouse receipt has been issued and is outstanding, without prior surrender and cancelation of such warehouse receipt. Any person violating any of the provisions of this subsection shall, upon conviction, be punished by a fine of not more than $5,000, or by imprisonment for not more than 2 years, or both. The Secretary of Agriculture may revoke any license issued under subsection (3) of this section, if he finds, after due notice and opportunity for hearing, that the licensee has violated the provisions of this subsection.

PROCESSING TAX

SEC. 9. (a) To obtain revenue for extraordinary expenses incurred by reason of the national economic emergency, there shall be levied processing taxes as hereinafter provided. When the Secretary of Agriculture determines that rental or benefit payments are to be made with respect to any basic agricultural commodity, he shall proclaim such determination, and a processing tax shall be in effect with respect to such commodity from the beginning of the marketing year therefor next following the date of such proclamation. The processing tax shall be levied, assessed, and collected upon the first domestic processing of the commodity, whether of domestic production or imported, and shall be paid by the processor. The rate of tax shall conform to the requirements of subsection (b). Such rate shall be determined by the Secretary of Agriculture as of the date the tax first takes effect, and the rate so determined shall, at such intervals as the Secretary finds necessary to effectuate the declared policy, be adjusted by him to conform to such requirements. The processing tax shall terminate at the end of the marketing year current at the time the Secretary proclaims that rental or benefit payments are to be discontinued with respect to such commodity. The marketing year for each commodity shall be ascertained and prescribed by regulations of the Secretary of Agriculture: *Provided*, That upon any article upon which a manufacturers' sales tax is levied under the authority of the Revenue Act of 1932 and which manufacturers' sales tax is computed on the basis of weight, such manufacturers' sales tax shall be computed on the basis of the weight of said finished article less the weight of the processed cotton contained therein on which a processing tax has been paid.

(b) The processing tax shall be at such rate as equals the difference between the current average farm price for the commodity and the fair exchange value of the commodity; except that if the Secretary has reason to believe that the tax at such rate will cause such reduction in the quantity of the commodity or products thereof domestically consumed as to result in the accumulation of surplus stocks of the commodity or products thereof or in the depression of the farm price of the commodity, then he shall cause an appropriate investigation to be made and afford due notice and opportunity for hearing to interested parties. If thereupon the Secretary finds that such result will occur, then the processing tax shall be at such rate as will prevent such accumulation of surplus stocks and depression of the farm price of the commodity. In computing the current average farm price in the case of wheat, premiums paid producers for protein content shall not be taken into account.

(c) For the purposes of part 2 of this title, the fair exchange value of a commodity shall be the price therefor that will give the commodity the same purchasing power, with respect to articles farmers buy, as such commodity had during the base period specified in section 2; and the current average farm price and the fair exchange value shall be ascertained by the Secretary of Agriculture from available statistics of the Department of Agriculture.

(d) As used in part 2 of this title—

(1) In case of wheat, rice, and corn, the term "processing" means the milling or other processing (except cleaning and drying) of wheat, rice, or corn for market, including custom milling for toll as well as commercial milling, but shall not include the grinding or cracking thereof not in the form of flour for feed purposes only.

(2) In case of cotton, the term "processing" means the spinning, manufacturing, or other processing (except ginning) of cotton; and the term "cotton" shall not include cotton linters.

(3) In case of tobacco, the term "processing" means the manufacturing or other processing (except drying or converting into insecticides and fertilizers) of tobacco.

(4) In case of hogs, the term "processing" means the slaughter of hogs for market.

(5) In the case of any other commodity, the term "processing" means any manufacturing or other processing involving a change in the form of the commodity or its preparation for market, as defined by regulations of the Secretary of Agriculture; and in prescribing such regulations the Secretary shall give due weight to the customs of the industry.

(e) When any processing tax, or increase or decrease therein, takes effect in respect of a commodity the Secretary of Agriculture, in order to prevent pyramiding of the processing tax and profiteering in the sale of the products derived from the commodity, shall make public such information as he deems necessary regarding (1) the relationship between the processing tax and the price paid to producers of the commodity, (2) the effect of the processing tax upon prices to consumers of products of the commodity, (3) the relationship, in previous periods, between prices paid to the producers of the commodity and prices to consumers of the products thereof, and (4) the situation in foreign countries relating to prices paid to producers of the commodity and prices to consumers of the products thereof

MISCELLANEOUS

Sec. 10 (a). The Secretary of Agriculture may appoint such officers and employees, subject to the provisions of the Classification Act of 1923 and acts amendatory thereof, and such experts as are necessary to execute the functions vested in him by this title; and the Secretary may make such appointments without regard to the civil service laws or regulations: *Provided,* That no salary in excess of $10,000 per annum shall be paid to any officer, employee, or expert of the Agricultural Adjustment Administration, which the Secretary shall establish in the Department of Agriculture for the administration of the functions vested in him by this title; *And provided further,* That the State Administrator appointed to administer this act in each State shall be appointed by the President, by and with the advice and consent of the Senate.[4] Title II of the act entitled "An act to maintain the credit of the United States Government", approved March 20, 1933, to the extent that it provides for the impoundment of appropriations on account of reductions in compensation, shall not operate to require such impoundment under appropriations contained in this act.

(b) The Secretary of Agriculture is authorized to establish, for the more effective administration of the functions vested in him by this title, State and local committees, or associations of producers, and to permit cooperative associations of producers, when in his judgment they are qualified to do so, to act as agents of their members and patrons in connection with the distribution of rental or benefit payments.

(c) The Secretary of Agriculture is authorized, with the approval of the President, to make such regulations with the force and effect of law as may be necessary to carry out the powers vested in him by this title, including regulations establishing conversion factors for any commodity and article processed therefrom to determine the amount of tax imposed or refunds to be made with respect thereto. Any violation of any regulation shall be subject to such penalty, not in excess of $100, as may be provided therein.

(d) The Secretary of the Treasury is authorized to make such regulations as may be necessary to carry out the powers vested in him by this title.

(e) The action of any officer, employee, or agent in determining the amount of and in making any rental or benefit payment shall not be subject to review by any officer of the Government other than the Secretary of Agriculture or Secretary of the Treasury.

(f) The provisions of this title shall be applicable to the United States and its possessions, except the Philippine Islands, the Virgin Islands, American Samoa, the Canal Zone, and the island of Guam.

(g) No person shall, while acting in any official capacity in the administration of this title, speculate, directly or indirectly, in any agricultural commodity or

[4] The second proviso of sec. 10 (a), relating to the appointment of State Administrators, was added by amendment to the act passed June 16, 1933, Ch. 98, 48 Stat. 257, 273, sec. 86.

product thereof, to which this title applies, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subsection shall upon conviction thereof be fined not more than $10,000 or imprisoned not more than 2 years, or both.

(h) For the efficient administration of the provisions of part 2 of this title, the provisions, including penalties, of sections 8, 9, and 10, of the Federal Trade Commission Act, approved September 26, 1914, are made applicable to the jurisdiction, powers, and duties of the Secretary in administering the provisions of this title and to any person subject to the provisions of this title, whether or not a corporation. Hearings authorized or required under this title shall be conducted by the Secretary of Agriculture or such officer or employee of the Department as he may designate for the purpose. The Secretary may report any violation of any agreement entered into under part 2 of this title to the Attorney General of the United States, who shall cause appropriate proceedings to enforce such agreement to be commenced and prosecuted in the proper courts of the United States without delay.

COMMODITIES

Sec. 11. As used in this title, the term "basic agricultural commodity" means wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products, and any regional or market classification, type, or grade thereof; but the Secretary of Agriculture shall exclude from the operation of the provisions of this title, during any period, any such commodity or classification, type, or grade thereof if he finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that the conditions of production, marketing, and consumption are such that during such period this title can not be effectively administered to the end of effectuating the declared policy with respect to such commodity or classification, type, or grade thereof.

APPROPRIATION

Sec. 12. (a) There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $100,000,000 to be available to the Secretary of Agriculture for administrative expenses under this title and for rental and benefit payments made with respect to reduction in acreage or reduction in production for market under part 2 of this title. Such sum shall remain available until expended.[5]

(b) In addition to the foregoing, the proceeds derived from all taxes imposed under this title are hereby appropriated to be available to the Secretary of Agriculture for expansion of markets and removal of surplus agricultural products and the following purposes under part 2 of this title: Administrative expenses, rental and benefit payments, and refunds on taxes. The Secretary of Agriculture and the Secretary of the Treasury shall jointly estimate from time to time the amounts, in addition to any money available under subsection (a), currently required for such purposes; and the Secretary of the Treasury shall, out of any money in the Treasury not otherwise appropriated, advance to the Secretary of Agriculture the amounts so estimated. The amount of any such advance shall be deducted from such tax proceeds as shall subsequently become available under this subsection.

(c) The administrative expenses provided for under this section shall include, among others, expenditures for personal services and rent in the District of Columbia and elsewhere, for law books and books of reference, for contract stenographic reporting services, and for printing and paper in addition to allotments under the existing law. The Secretary of Agriculture shall transfer to the Treasury Department, and is authorized to transfer to other agencies, out of funds available for administrative expenses under this title, such sums as are required to pay administrative expenses incurred and refunds made by such Department or agencies in the administration of this title.

TERMINATION OF ACT

Sec. 13. This title shall cease to be in effect whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended; and pending such time the President shall by proclamation terminate

[5] Section 220 of the National Industrial Recovery Act, 47 Stat. 195, 210, reads as follows:
"For the purposes of this act, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $3,300,000,000. The President is authorized to allocate so much of said sum, not in excess of $100,000,000, as he may determine to be necessary for expenditures in carrying out the Agricultural Adjustment Act and the purposes, powers, and functions heretofore and hereafter conferred upon the Farm Credit Administration."

with respect to any basic agricultural commodity such provisions of this title as he finds are not requisite to carrying out the declared policy with respect to such commodity. The Secretary of Agriculture shall make such investigations and reports thereon to the President as may be necessary to aid him in executing this section.

SEPARABILITY OF PROVISIONS

SEC. 14. If any provision of this title is declared unconstitutional, or the applicability thereof to any person, circumstance, or commodity is held invalid the validity of the remainder of this title and the applicability thereof to other persons, circumstances, or commodities shall not be affected thereby.

SUPPLEMENTARY REVENUE PROVISIONS

EXEMPTIONS AND COMPENSATING TAXES

SEC. 15. (a) If the Secretary of Agriculture finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that any class of products of any commodity is of such low value compared with the quantity of the commodity used for their manufacture that the imposition of the processing tax would prevent in whole or in large part the use of the commodity in the manufacture of such products and thereby substantially reduce consumption and increase the surplus of the commodity, then the Secretary of Agriculture shall so certify to the Secretary of the Treasury, and the Secretary of the Treasury shall abate or refund any processing tax assessed or paid after the date of such certification with respect to such amount of the commodity as is used in the manufacture of such products.

(b) No tax shall be required to be paid on the processing of any commodity by or for the producer thereof for consumption by his own family, employees, or household; and the Secretary of Agriculture is authorized, by regulations, to exempt from the payment of the processing tax the processing of commodities by or for the producer thereof for sale by him where, in the judgment of the Secretary, the imposition of a processing tax with respect thereto is unnecessary to effectuate the declared policy.

(c) Any person delivering any product to any organization for charitable distribution or use shall, if such product or the commodity from which processed, is under this title subject to tax, be entitled to a refund of the amount of any tax paid under this title with respect to such product so delivered.

(d) The Secretary of Agriculture shall ascertain from time to time whether the payment of the processing tax upon any basic agricultural commodity is causing or will cause to the processors thereof disadvantages in competition from competing commodities by reason of excessive shifts in consumption between such commodities or products thereof. If the Secretary of Agriculture finds, after investigation and due notice and opportunity for hearing to interested parties, that such disadvantages in competition exist, or will exist, he shall proclaim such finding. The Secretary shall specify in this proclamation the competing commodity and the compensating rate of tax on the processing thereof necessary to prevent such disadvantages in competition. Thereafter there shall be levied, assessed, and collected upon the first domestic processing of such competing commodity a tax, to be paid by the processor, at the rate specified, until such rate is altered pursuant to a further finding under this section, or the tax or rate thereof on the basic agricultural commodity is altered or terminated. In no case shall the tax imposed upon such competing commodity exceed that imposed per equivalent unit, as determined by the Secretary, upon the basic agricultural commodity.

(e) During any period for which a processing tax is in effect with respect to any commodity there shall be levied, assessed, collected, and paid upon any article processed or manufactured wholly or in chief value from such commodity and imported into the United States or any possession thereof to which this title applies, from any foreign country or from any possession of the United States to which this title does not apply, a compensating tax equal to the amount of the processing tax in effect with respect to domestic processing at the time of importation: *Provided*, That all taxes collected under this subsection upon articles coming from the possessions of the United States to which this title does not apply shall not be covered into the general fund of the Treasury of the United States but shall be held as a separate fund and paid into the Treasury of the said possessions, respectively, to be used, and expended by the governments thereof for the benefit of agriculture. Such tax shall be paid prior to the release of the article from customs custody or control.

FLOOR STOCKS

Sec. 16. (a) Upon the sale or other disposition of any article processed wholly or in chief value from any commodity with respect to which a processing tax is to be levied, that on the date the tax first takes effect or wholly terminates with respect to the commodity, is held for sale or other disposition (including articles in transit) by any person, there shall be made a tax adjustment as follows:

(1) Whenever the processing tax first takes effect, there shall be levied, assessed, and collected a tax to be paid by such person equivalent to the amount of the processing tax which would be payable with respect to the commodity from which processed if the processing had occurred on such date.

(2) Whenever the processing tax is wholly terminated, there shall be refunded to such person a sum (or if it has not been paid, the tax shall be abated) in an amount equivalent to the processing tax with respect to the commodity from which processed.

(b) The tax imposed by subsection (a) shall not apply to the retail stocks of persons engaged in retail trade, held at the date the processing tax first takes effect; but such retail stocks shall not be deemed to include stocks held in a warehouse on such date, or such portion of other stocks held on such date as are not sold or otherwise disposed of within 30 days thereafter. The tax refund or abatement provided in subsection (a) shall not apply to the retail stocks of persons engaged in retail trade, held on the date the processing tax is wholly terminated.

EXPORTATIONS

Sec. 17. (a) Upon the exportation to any foreign country (including the Philippine Islands, the Virgin Islands, American Samoa, and the island of Guam) of any product with respect to which a tax has been paid under this title, or of any product processed wholly or in chief value from a commodity with respect to which a tax has been paid under this title, the exporter thereof shall be entitled at the time of exportation to a refund of the amount of such tax.

(b) Upon the giving of bond satisfactory to the Secretary of the Treasury for the faithful observance of the provisions of this title requiring the payment of taxes, any person shall be entitled, without payment of the tax, to process for such exportation any commodity with respect to which a tax is imposed by this title, or to hold for such exportation any article processed wholly or in chief value therefrom.

EXISTING CONTRACTS

Sec. 18. (a) If (1) any processor, jobber, or wholesaler has, prior to the date a tax with respect to any commodity is first imposed under this title, made a bona fide contract of sale for delivery on or after such date, of any article processed wholly or in chief value from such commodity, and if (2) such contract does not permit the addition to the amount to be paid thereunder of the whole of such tax, then (unless the contract prohibits such addition) the vendee shall pay so much of the tax as is not permitted to be added to the contract price.

(b) Taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated and shall be collected and paid to the United States by the vendor in the same manner as other taxes under this title. In case of failure or refusal by the vendee to pay such taxes to the vendor, the vendor shall report the facts to the Commissioner of Internal Revenue who shall cause collections of such taxes to be made from the vendee.

COLLECTION OF TAXES

Sec. 19. (a) The taxes provided in this title shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury. Such taxes shall be paid into the Treasury of the United States.

(b) All provisions of law, including penalties, applicable with respect to the taxes imposed by section 600 of the Revenue Act of 1926, and the provisions of section 626 of the Revenue Act of 1932, shall, insofar as applicable and not inconsistent with the provisions of this title, be applicable in respect of taxes imposed by this title: *Provided*, That the Secretary of the Treasury is authorized to permit postponement, for a period not exceeding 90 days, of the payment of taxes covered by any return under this title.

(c) In order that the payment of taxes under this title may not impose any immediate undue financial burden upon processors or distributors, any processor or distributor subject to such taxes shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act.

APPENDIX K

EXECUTIVE ORDERS RELATING TO AGRICULTURAL ADJUSTMENT ADMINISTRATION

Exhibit 29.—Transfer of Codes to A.A.A.

EXECUTIVE ORDER NO. 6182

Delegation of Certain Functions and Powers under the National Industrial Recovery Act to the Secretary of Agriculture

Pursuant to the authority vested in me by title I of the National Industrial Recovery Act, approved June 16, 1933, I hereby delegate to the Secretary of Agriculture all the functions and powers (other than the determination and administration of provisions relating to hours of labor, rates of pay, and other conditions of employment) vested in me by said title I of said act with respect to trades, industries, or subdivisions thereof engaged principally in the handling of milk and its products, tobacco and its products, and all foods and foodstuffs, subject to the requirements of title I of said act, but reserving to me the power to approve or disapprove of the provisions of any code of fair competition entered into in accordance with title I of said act. This order is to remain in effect until revoked by me.

Franklin D. Roosevelt.

The White House,
June 26, 1933.

EXECUTIVE ORDER NO. 6207

Continuing in Effect the Authority Delegated to the Secretary of Agriculture by Executive Order No. 6182

Nothing in my Executive order dated July 15, 1933, supplementing my Executive order dated June 16, 1933, appointing Hugh S. Johnson to be the Administrator under title I of the National Industrial Recovery Act, approved June 16, 1933, shall be or be deemed to be in modification or derogation of my Executive order dated June 26, 1933, reading as follows:

"Pursuant to the authority vested in me by title I of the National Industrial Recovery Act, approved June 16, 1933, I hereby delegate to the Secretary of Agriculture all the functions and powers (other than the determination and administration of provisions relating to hours of labor, rates of pay, and other conditions of employment) vested in me by said title I of said act with respect to trades, industries or subdivisions thereof engaged principally in the handling of milk and its products, tobacco and its products, and all foods and foodstuffs, subject to the requirements of title I of said act, but reserving to me the power to approve or disapprove of the provisions of any code of fair competition entered into in accordance with title I of said act. This order is to remain in effect until revoked by me.";

and such Executive order of June 26, 1933, shall, notwithstanding such order of July 15, 1933, be and remain in full force and effect.

Franklin D. Roosevelt.

The White House,
July 21, 1933.

Exhibit 30.—Additional Codes Transferred to A.A.A.

EXECUTIVE ORDER NO. 6345

Amendment of Executive Order No. 6182 as supplemented by Executive Order No. 6207, Which Delegated to the Secretary of Agriculture Certain Authority Under the National Industrial Recovery Act

By virtue of the authority vested in me by title I of the National Industrial Recovery Act of June 16, 1933 (Public, No. 67, 73d Cong.), Executive Order No. 6182 of June 26, 1933, as supplemented by Executive Order No. 6207 of July 21, 1933, which delegated to the Secretary of Agriculture certain of the powers vested in me by the aforesaid act, is hereby amended so that, in addition to the trades, industries, or subdivisions thereof therein enumerated, there shall be included the following trades, industries, or subdivisions thereof:

1. Industries, trades, or subdivisions thereof (including agricultural produce and commodity exchanges and similar organizations) engaged principally in the handling of any of the following:

(a) Agricultural commodities (including livestock, poultry, fur-bearing animals and bees, and flowers and nursery stock, but excluding forest products other than nuts, fruits, sap, gum, and oils) up to the point of first processing off the farm, including all distribution, cleaning, or sorting, ginning, threshing, or other separation, or grading, or canning, preserving, or packing, of such commodities occurring prior to such first processing.

(b) Human and animal food (including beverages, confectionery, and condiments) and all substances or preparations used for food or entering principally into the composition of food.

(c) Nonfood products of grains; inedible animal and vegetable oils and fats; naval stores; feathers, hides, and furs; brooms; or hog-cholera serum.

2. Industries, trades, or subdivisions thereof, engaged principally in the crushing of cotton seed or flax seed.

If a question should arise as to whether or not any specific trade, industry, or subdivision thereof is or is not within the terms of Executive Order No. 6182 (as supplemented by Executive Order No. 6207) and/or this order, the question shall be finally and conclusively determined by agreement between the Secretary of Agriculture and the Administrator of the National Recovery Administration; or, if they do not agree, then the question shall be submitted to the President, whose decision thereon shall be final and conclusive.

This order shall not apply with respect to any trade, industry, or subdivision thereof for which a code of fair competition has heretofore been approved by me except as may hereafter be otherwise determined by agreement between the Secretary of Agriculture and the National Recovery Administrator.

As thus amended Executive Order No. 6182 (as supplemented by Executive Order No. 6207) shall be and remain in full force and effect until amended or revoked by me.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
October 20, 1933.

EXHIBIT 31.—ESTABLISHMENT OF FEDERAL ALCOHOL CONTROL ADMINISTRATION

EXECUTIVE ORDER NO. 6474

Establishment of the Federal Alcohol Control Administration, Etc.

By virtue of the authority vested in me under title I of the National Industrial Recovery Act, approved June 16, 1933 (Public, No. 67, 73d Cong.)—

(1) There is hereby established an agency to be known as the "Federal Alcohol Control Administration" to aid in effectuating the policy of said title.

(2) The Administration shall be composed of five officers of the executive branch of the Government to be designated by the President from time to time.

(3) The following-named persons are hereby designated and appointed as the original members of the Federal Alcohol Control Administration, established under the provisions of said title:

Joseph H. Choate, Jr., Treasury Department
Edward G. Lowry, Jr., Treasury Department
Harris E. Willingham, Department of Agriculture
W. A. Tarver, Department of Justice
Willard L. Thorp, Department of Commerce

(4) Joseph H. Choate, Jr., is designated as chairman of and Director for the Administration.

(5) The Administration is hereby authorized (*a*) to make investigations and studies with reference to the coordination of the activities of the Government pertaining to the taxation, control, and regulation of alcohol and alcoholic beverages, and such other investigations and studies as it deems necessary to aid it in performing its functions; (*b*) to exercise such powers and duties as may be vested in it by any code of fair competition or license under the National Industrial Recovery Act or by any marketing agreement or license under the Agricultural Adjustment Act, pertaining to alcohol or alcoholic beverages; (*c*) to prescribe rules and regulations with respect to any such code, marketing agreement, or license, other than provisions thereof relating to hours of labor, rates of pay, or other conditions of employment; and

(6) To utilize the services of any department or other establishment or agency of the Government to the extent necessary to carry out the powers and duties of the Administration, including services of the Bureau of Internal Revenue, the Bureau of Customs, the Agricultural Adjustment Administration, and the Food and Drugs Administration. Any department, establishment, or agency whose services are so utilized may be compensated therefor from such funds as may be allocated to the Administration from moneys available for carrying out the purposes of title I of the National Industrial Recovery Act.

(7) The Administration shall fix the compensation and define the powers and duties of the Director. The Director shall appoint and fix the compensation of such officers and employees of the Administration without regard to the civil-service rules and the Classification Act of 1923, as amended, and shall make such expenditures as may be necessary to carry out the powers and duties of the Administration.

(8) For the purposes of this order (including payment of the salary of the Director for the Administration), unless otherwise provided for, the sum of $500,000 is hereby allocated from the appropriation of $3,300,000,000 authorized by section 220 of the National Industrial Recovery Act and made by the Fourth Deficiency Act, fiscal year 1933 (Public, No. 77, 73d Cong.).

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
December 4, 1933.

EXHIBIT 32.—TRANSFER OF CODES TO N.R.A.

EXECUTIVE ORDER NO. 6551

Amendment of Executive Order No. 6182 (as supplemented by Executive Order No. 6207 and Executive Order No. 6345) which delegated to the Secretary of Agriculture certain authority under the National Industrial Recovery Act

By virtue of the authority vested in me by title I of the National Industrial Recovery Act of June 16, 1933 (Public, No. 67, 73d Cong.), Executive Order No. 6182 of June 26, 1933 (as supplemented by Executive Order No. 6207 of July 21, 1933 and Executive Order No. 6345 of October 20, 1933), which delegated to the Secretary of Agriculture certain of the powers vested in me by the aforesaid act, is hereby amended as follows:

All the functions and powers heretofore delegated by said Executive orders to the Secretary of Agriculture are hereby transferred and delegated to the Administrator of the National Recovery Administration excepting only as follows:

I. The functions and powers transferred and delegated insofar as they relate to industries, trades, or subdivisions thereof which are engaged principally in the handling, processing, or storing of agricultural commodities, principally domestic, up to and including the point of first processing and the subsequent sale or disposition by the first processor (hereafter for convenience referred to as "first processors") shall not, without the written approval of the Secretary of Agriculture, be exercised through the fixation or control of—

(1) Prices in connection with the purchase of agricultural commodities from producers and the subsequent sale or disposition by first processors of the first processed articles.

(2) Brokerage fees involved in the purchase of agricultural commodities from producers and the subsequent sale or disposition by first processors of the first processed articles.

(3) Credits and financial charges with reference to agricultural products.

(4) Commission rates in connection with the purchase of agricultural commodities from producers and the subsequent sale or disposition by first processors of the first processed articles.

(5) Purchasing arrangements with regard to agricultural commodities in their original form.

(6) Marketing quotas in connection with the purchase of agricultural commodities from producers and the subsequent sale or disposition by first processors of the first processed articles.

(7) Plant capacity and/or its allocation.

This limitation upon the functions and powers transferred and delegated is established in order that such subject matters may be dealt with by the Secretary of Agriculture under section 8 (2) and/or (3) of the Agricultural Adjustment Act without conflicting with the exercise of such functions and powers by the Administrator of the National Recovery Administration.

The industries and trades or subdivisions thereof covered by this section I of this order are limited to (a) those listed in exhibit A hereto attached and hereby made a part hereof, and (b) such other first processors as have not heretofore filed codes pursuant to the National Industrial Recovery Act.

II. The functions and powers transferred and delegated shall not include those relating to the following industries, trades, and subdivisions thereof, but such functions and powers with respect thereto shall continue to be delegated to the Secretary of Agriculture pursuant to and in the manner set forth in Executive Order No. 6182, as supplemented by Executive Order No. 6207, and 6345;

1. Commodity exchanges.

2. Industries, trades, and subdivisions thereof engaged principally in the handling, processing, or storing of:

(*a*) Milk and its products, but excepting packaged pasteurized, blended, and/or processed cheese.

(*b*) Oleomargarine and vegetable oils, but excepting soybean oil.

(*c*) Cotton and cottonseed and their products, including ginning, cottonseed crushing, cottonseed oil refining (excluding the manufacture of textiles and processing and handling subsequent thereto).

3. Industries, trades and subdivisions thereof engaged principally in the handling, processing, or storing up to the point of first processing and the subsequent sale and disposition by such processors of:

(*a*) Livestock and its products.

(*b*) Wheat, corn, rice, and other grains, but excepting cereals, pancake flours, self-rising flours, cake flours, and like products sold in grocery store sizes, and grocery store products of corn.

(*c*) Sugar and its byproducts.

(*d*) Anticholera hog serum and virus.

(*e*) Naval stores.

(*f*) Tobacco and its products.

4. Fresh fruits and vegetables and poultry and poultry products up to and including handling in wholesale markets and the subsequent sale and disposition by such handlers in wholesale markets.

Provided, however, That the functions and powers referred to in this section II shall be so exercised as to harmonize with the exercise of similar functions and powers with respect to other codes approved by the Administrator of the National Recovery Administration; but any functions and powers reserved to the Secretary of Agriculture by this section II so far as they relate to industries, trades, or subdivisions thereof which are engaged principally in the handling, processing, or storing of agricultural commodities up to and including the point of first processing and the subsequent sale or distribution by the first processor, shall not, unless the Secretary of Agriculture otherwise decides, include or affect the subject matters referred to in subclauses (1), (2), (3), (4), (5), (6), or (7) of section I of this order.

III. If a question should arise as to whether or not any specific trade, industry, or subdivision thereof is, or is not, within any of the terms or provisions of this order, the question shall be finally and conclusively determined by written agreement between the Secretary of Agriculture and the Administrator of the National Recovery Administration; or, if they do not agree, then the question shall be submitted to the President, whose decision thereon shall be final and conclusive.

IV. Any functions and powers which are hereby delegated and transferred to the Administrator of the National Recovery Administration or which have heretofore been delegated to the Secretary of Agriculture and which remain delegated to the Secretary of Agriculture by the terms of this order, may, by written agreement between the Secretary of Agriculture and the Administrator of the National Recovery Administration, be redelegated to the Secretary of Agriculture or be delegated to the Administrator of the National Recovery Administration, as the case may be.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
January 8, 1934.

Exhibit A

Beans (dried), shippers
Brooms, manufacturing
Canners
Feed (retail)
Florists
Hides and skins, dealers
Peanuts, millers
Pecan distributors
Pecan shellers
Pickle packing
Pop-corn manufacturing
Potato-chip manufacturing
Preservers
Rendering
Seed producing and shippers
Soybean-oil manufacturing
Vinegar manufacturing

Letters will be exchanged between the Secretary of Agriculture and the Administrator of the National Recovery Administration which will enumerate specifically the codes to be retained by A.A.A. and referred to in section II of the order.

As to codes already filed, section II will be limited to the following:

Anticholera hog serum
Cheese
Corn millers
Corn products
Cotton Exchange—New York
Cotton Exchange—New Orleans
Cotton traders
Cottonseed crushing
Cottonseed oil refining
Egg and poultry
Feed, hay and straw distributors
Feed manufacturers
Fruits and vegetables, fresh
Grain, country elevators
Grain exchanges
Grain, flour milling
Grain, terminal elevators
Hog exchanges
Linseed oil
Livestock marketing agency industry
Malsters
Oleomargarine
Poultry breeders
Rice
Stockyards operators
Sugar exchanges
Sugar (beet) producing
Sugar refining
Tobacco, cigar manufacturing
Tobacco leaf dealers
Warehouse, cotton
Warehouse, refrigerated
Warehouse, rice
Warehouse, tobacco
Warehouse, wool and mohair

As to codes covered by section II, the following is a list (not necessarily exhaustive) which may hereafter be filed:

Butter
Cigarette manufacturers
Ice cream
Milk fluid
Milk evaporated
Meat packers
Naval stores

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